

# Cooperative Legislation in Asia — A Study

**PART : ONE**

Cooperative Laws in Bangladesh, India,  
Indonesia, Philippines, Sri Lanka  
and Thailand



**International Cooperative Alliance**  
Regional Office for Asia & the Pacific  
New Delhi

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# **Coop Legislation in Asia**

## **— A Study**

Part One :

Cooperative Laws in Bangladesh, India, Indonesia,  
Philippines, Sri Lanka and Thailand

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International Cooperative Alliance

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# CONTENTS

Foreword	v
<b>BANGLADESH</b>	
Cooperative Societies Act, XXI/1940	1
<b>INDIA</b>	
Multi-State Co-operative Societies Act, 51/1984	73
<b>INDONESIA</b>	
Law on Basic Regulations for Cooperatives, 12/1967	135
<b>PHILIPPINES</b>	
Act to ordain a Cooperative Code of the Philippines (RA-6938)	153
Cooperative Development Authority Act, (RA-6939)	193
<b>SRI LANKA</b>	
Cooperative Societies Law, 5/1972	201
Cooperative Societies (Amendment) Act, 32/1983	238
<b>THAILAND</b>	
Cooperative Societies Act (BE. 2511) 1968	247

# FOREWORD

Cooperative legislation in most countries of Asia was initiated by the colonial rulers who had found in cooperatives a useful agency to provide relief to farmers and workers. Somehow they did not want cooperatives to become a ground of peoples aspirations and possible development of political leadership. They developed the cooperative system in such a way that the cooperative office-bearers remained politically loyal to the government. This was achieved through the agency of the registrar of Cooperative Societies who was usually a senior, efficient bureaucrat and known as *friend, philosopher and guide*. The government also ensured that the cooperative movement remained dependent on the government for all the needs of credit and distribution of essential items.

In the last four decades, all Asian countries have become free from colonial rule and along with that there have been many changes in the cooperative laws, policies towards cooperatives and application of the cooperative laws. While there has been increased commitment and support for the cooperatives by the governments, there has also been, in some cases, not only more control over the affairs of the cooperatives, but they have often been treated as government corporations or agencies, changing the basic nature of the cooperative institutions. Instead of making cooperative legislation friendly towards the cooperative members, the trend has been to concentrate more powers in the hands of the Cooperative Registrar. In some cases the cooperative legislation denuded the cooperative institutions of their freedom of decision making and action. Such trends are not in the spirit of democratic control and freedom of action and decision-making. These and several other such points demanded an indepth study of existing cooperative laws in some selected countries of the Region.

It was also recommended by the ICA Regional Consultation on "Role of Governments in Promoting Cooperative Development in Asia" held in June, 1988 in Singapore. The Consultation had recommended that the ICA ROAP undertakes a study of cooperative laws in the region in order to delete the restrictive provisions and suggest additions of new provisions for facilitation of cooperative development.

With the generous support made available by the Canadian Cooperative Association, the International Cooperative Alliance, Regional Office for

Asia and the Pacific, undertook a project 'Facilitation of Cooperative Legislation in Asia' during 1989.

Accordingly this study was undertaken with the following objectives:

- i) to identify constraints to cooperative development;
- ii) to identify features which are not in accordance with Cooperative Principles; and
- iii) to suggest additional provisions needed for facilitation of cooperative development.

The study was carried out in Bangladesh, India, Indonesia, the Philippines and Sri Lanka. With the help of National consultants from these countries and a regional consultant, national questionnaires were produced and the existing Cooperative Acts were collected. All this material was further analysed and discussed at a Regional Consultation Meeting held in Thailand in October, 1989. A study report on the subject was published earlier by the ICA ROAP in January, 1990.

With a view to provide the scholars of cooperative legislation in these countries of the region, we have collected all the relevant material and published the same in two parts : Part I containing the Cooperative Acts currently in force in these countries, and Part II containing the replies received to the questionnaire which was earlier prepared and used at the Regional Consultation Meeting at Bangkok in October, 1989.

While extending our sincere thanks to the Canadian Cooperative Association for the most valuable support extended in terms of funds, I place on record our appreciation of the work done by the Regional Consultant, Mr. V.P.Singh and his National Consultants viz. Mr. Chern Bamrungwong (Thailand), Judge Manuel F. Verzosa (Philippines), Mr. B.D.Sharma (India), Mr. Asnawi Hassan (Indonesia), and Mr. R.P.P. Rajapakse (Sri Lanka).

We hope that the documentation will be found useful and of some reference value to the scholars interested in the development of cooperative legislation in this part of the world.

**G. K. Sharma**  
ICA Regional Director

Bonow House,  
New Delhi.  
May 14, 1991

**PART : ONE**

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# BANGLADESH

Bengal Act XXI of 1940.

## CO-OPERATIVE SOCIETIES ACT, 1940<sup>1</sup>

[1st May 1941.]

*An Act to amend the law relating to co-operative societies*

Whereas it is expedient to make further provision for the formation and working of co-operative societies, and for the promotion of thrift, self-help and mutual aid among persons of moderate means with needs and interests in common, to the end that better conditions of living and better methods of production and business may thereby result, and for that purpose to amend the law relating to co-operative societies in [Bangladesh];

It is hereby enacted as follows:—

### CHAPTER I

#### Preliminary.

##### *Short title, extent and commencement*

1. (1) This Act may be called Co-operative Societies Act, 1940.  
<sup>2</sup>(2) It extends to the whole of Bangladesh].

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<sup>1</sup>For Statement of Objects and Reasons, see the Calcutta Gazette, dated the 7th July, 1938; the Report of the Select Committee was presented to the Assembly on the 19th December, 1939; for the Proceedings of the Assembly, see the Proceedings of the meetings of the Bengal Legislative Assembly, held on the 3rd August, 1938, 19th December, 1939, and 17th, 18th, 22nd, 23rd, 24th, 25th, 29th, 30th, and 31st July, 1st August and 4th December, 1940; for Proceedings of the Council, see the Proceedings of the meetings of the Bengal Legislative Council, held on the 12th, 14th, 19th, 27th, 28th, and 29th August, 2nd, 3rd, 4th, 5th, 9th, 10th, 11th, 12th, 18th and 19th September, 1940.

The Act was extended to the Chittagong Hill-tracts by notification No. 252 C.S., dated the 10th December, 1942, vide the Calcutta Gazette of 1942, Part I, page 2789. It came into force in the said district with effect from the 15th February, 1943.

The Act was extended to those areas of Mymensingh district which were called "partially excluded areas" immediately before coming into force of the Constitution which was abrogated by the Presidential Proclamation of the 7th October, 1958, vide notification No. 146 C.S., dated the 24th August, 1943, published in the Calcutta Gazette of 1943, Part I, page 1384. It came into force in the said areas of the Mymensingh district with effect from the 1st September, 1943.

<sup>2</sup>Sub-section (2) was substituted for the former sub-section (2), *ibid.*

(3) It shall come into force on such date<sup>1</sup> as the Bangladesh Government may, by notification in the Official Gazette, appoint.

*Definitions.*

2. In this Act, unless there is anything repugnant in the subject or context—

- (a) "arbitrator" means a person appointed under clause (c) of subsection (1) of section 87 to decide any dispute referred to him;
- (b) "audit officer" means a person authorised under section 76 by general or special order to audit the accounts of a co-operative society;
- (c) "bye-laws" means the bye-laws registered or deemed to have been registered under this Act, and includes a registered amendment of the bye-laws;
- (d) "central co-operative land mortgage bank" means a co-operative society, the objects of which include the creation of funds to be lent to co-operative land mortgage banks;
- (e) "co-operative land mortgage bank" means a co-operative society, the objects of which include the creation of funds to be lent to members on long terms upon mortgage of their immovable property;
- (f) "co-operative society" means a society registered or deemed to be registered under this Act;
- (g) "co-operative society with limited liability" means a co-operative society having the liability of its members limited by its bye-laws to the amount, if any, unpaid on the shares respectively held by them or to such amounts as they may respectively thereby undertake to contribute to the assets of the society in the event of its being wound up;
- (h) "co-operative society with unlimited liability" means a co-operative society having, subject to its bye-laws, an unlimited liability of its members to contribute jointly and severally any deficiency in the assets of the society;
- (i) "co-operative year" means such period of twelve months as may be prescribed for keeping the accounts of a co-operative society;

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<sup>1</sup>The Act came into force on the 2nd July, 1942, vide Notification No. 1041 C.S., dated the 29th June, 1942, published in the Calcutta Gazette, dated the 2nd July, 1942, Part I, page 1636.

- (j) "dispute" means any matter capable of being the subject of civil litigation, and includes a claim in respect of any sum payable to or by a co-operative society <sup>1</sup>[whether such claim be admitted or not];
- <sup>2</sup>[(k) "financing bank" means a co-operative society, the object of which includes the creation of funds to be lent to other co-operative societies, and includes such other financial organisation as may be declared by the Bangladesh Government, by notification in the Official Gazette, as a financing bank for the purposes of this Act];
- (l) "liquidator" means a person appointed under section 90 to wind up the affairs of a co-operative society;
- (m) "managing committee" means the committee of management of a co-operative society; constituted under section 23 <sup>3</sup>[or under section 26];
- (n) "member" includes a person joining in an application for registration of a society and a person admitted to membership after registration in accordance with the rules and bye-laws;
- (o) "net profits" means profits after deduction of establishment charges, contingent charges, interest payable on loans and deposit, audit fees and such other sums as may be prescribed;
- (p) "officer" includes a president, vice-president, chairman, vice-chairman, secretary, assistant secretary, manager, treasurer, member of a managing committee, auditor elected from among the members and any other person empowered under the rules or bye-laws to give directions in regard to the business of a co-operative society;
- (q) "prescribed" means prescribed by rules made under this Act;
- (r) "Registrar" means a person appointed to perform the duties of a Registrar of Co-operative Societies under this Act <sup>4</sup>[ and

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<sup>1</sup>The words within square brackets were added by the East Bengal Laws (Amendment and Repeal) Act, 1949 (East Bengal Act V of 1950), section 2 and the First Schedule.

<sup>2</sup>The clause (k) was substituted for the original clause (k) by East Pakistan Act XVIII of 1964, section 3.

<sup>3</sup>The words within square brackets were inserted by the Bengal Co-operative Societies (East Pakistan Third Amendment) Ordinance, 1958 (East Pakistan Ordinance L of 1958), section 3.

<sup>4</sup>The words within square brackets were added by the East Bengal Laws (Amendment and Repeal) Act, 1949 (East Bengal Act V of 1950), section 2 and the First Schedule.

includes any person appointed to assist the Registrar on whom all or any of the powers or duties of the Registrar referred to in section 10 have been or has been conferred or imposed under clause (a) of that section];

- (s) "rules" means rules for the time being in force made under this Act;
- (t) "Trustee" means the person appointed to be a Trustee under sub-section (1) of section 34.

3. [*Repealed by the Bengal Repealing and Amending Act, 1946 (Bengal Act XVI of 1946)*].

*Saving of existing Societies, etc.*

4. (1) Every society existing at the commencement of this Act which has been registered or deemed to have been registered under the Co-operative Societies Act, 1912, (11 of 1912) shall, be deemed to be registered under this Act; and its by-laws shall in so far as they are not inconsistent with the provisions of this Act, continue in force until altered or rescinded and shall to such extent be deemed to be registered under this Act.

(2) All appointments, rules and orders made, all notifications and notices issued, all transactions entered into and all suits and other proceedings instituted under the Co-operative societies Act, 1912, (11 of 1912) shall be deemed, so far as may be, to have been respectively made, issued, entered into or instituted under this Act.

*Construction of references to Act II of 1912.*

5. All references to the Co-operative Societies Act 1912, occurring in any enactment<sup>1</sup> \* \* \* for the time being in force in <sup>2</sup>[East Pakistan shall, in the application of any such enactment thereto, be construed as references to this Act; and anything done or any proceeding commenced in pursuance of any such enactment on or after the commencement of this Act shall be deemed to have been done or to have been commenced and to have had effect as if the reference in such enactment to the Co-operative Societies Act, 1912, had been a reference to this Act, and no such thing or proceeding shall be deemed to have been invalid on the ground that such enactment did not refer to this Act.

*Act VII of 1913 not to apply.*

6. The provisions of the <sup>3</sup>[Companies Act], 1913, (VII of 1913) shall

<sup>1</sup>The words "made by any authority in British India and" were omitted by East Pakistan Ordinance XXVIII of 1960, First Schedule.

<sup>2</sup>These words were substituted for the word "Bengal", *ibid*.

<sup>3</sup>The words within square brackets were substituted for the words "India Companies Act" by East Pakistan Ordinance XXVIII of 1960, First Schedule.

not apply to co-operative societies.

*Prohibition of the use of the word 'co-operative'.*

7. No person other than a co-operative society shall trade or carry on business under any name or title of which the word "co-operative" or its vernacular equivalent "Samavaya" is part:

Provided that nothing in this section shall apply to the use by any person or by his successor-in-interest of any name or title under which he lawfully traded or carried on business at the commencement of this Act.

*Power to exempt co-operative societies from the provisions of the Act.*

8. (1) The Bangladesh Government may, by rules —

- (a) exempt any co-operative society or class of such societies from the application of any of the provisions of this Act or of any rules made thereunder, or
- (b) direct that any of such provisions shall apply to such society or class of societies to such extent as may be specified in the rules.

(2) The power to make rules conferred by sub-section (1) shall be subject to the condition that no rule be made to the prejudice of a co-operative society without giving such society an opportunity to represent its case.

## CHAPTER II

### Registration.

*Appointment of Registrar and of persons to assist him.*

9. The Bangladesh Government may appoint a person to be Registrar of Co-operative Societies for <sup>1</sup>[Bangladesh] and may appoint persons to assist him.

*Conferment of powers of Registrar.*

10. Subject to the rules, the Bangladesh Government may, by general or special order in this behalf, confer all or any of the powers <sup>2</sup>[or impose all or any of the duties] entrusted to the Registrar by or under this Act, other than those specified in the Second Schedule, —

- (a) upon any person appointed under section 9 to assist the Registrar; and
- (b) upon any co-operative society in respect of any other co-

<sup>1</sup>The words within square brackets were substituted for the word "Bengal", *ibid*.

<sup>2</sup>These words were inserted by the East Bengal Laws (Amendment and Repeal) Act, 1949 (East Bengal Act, V of 1950), Section 2 and the First Schedule.

operative society which is a member of the co-operative society first mentioned.

*Societies which may be registered.*

11. (1) Subject to the provisions of this Act and of any rules, a society which has as its object the promotion of the common interests of its members in accordance with co-operative principles, or a society established with the object of facilitating the operation of such a society, including a society formed by the division of an existing co-operative society or amalgamation of existing co-operative societies, may be registered under this Act with or without limited liability<sup>1</sup> [:

Provided that no society or institution shall be so registered.—

- (a) in the case of a primary society, unless it fulfils such conditions as may be prescribed;
- (b) in the case of a banking institution, not being an institution every member of which is a co-operative society, or a co-operative land mortgage bank, if —
  - (i) The authorised share capital of the institution exceeds taka five lakhs; or
  - (ii) The subscription of share capital by any one of its members exceeds taka five thousand; or
  - (iii) The bye-laws of the institution do not prohibit making of loan or advance to any person other than a member, and loan or advance the aggregate amount of which exceeds at any time taka ten thousand to any member.

Explanation — In this proviso "Banking institution, association or body or individuals which carries on or has the object of carrying on any banking business.

(2) The word "limited" shall be the last word in the name of a society registered under this Act with limited liability.

*Conditions of registration.*

12. Unless the Bangladesh Government otherwise directs, no society shall be registered under this Act —

- (a) with limited liability, if it has withdrawable share capital:

Provided that the societies composed of employees and workers in the employ of Government or any local body or any public or private industrial or commercial firm may be

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<sup>1</sup>This new proviso was inserted by Bangladesh gazette the extraordinary dated 25.6.1974.

registered with withdrawable shares on such conditions as may be prescribed; or

- (b) with unlimited liability, if any member is a co-operative society.]

*Applications for registration.*

13. An application for registration of a society shall be made to the Registrar in the prescribed manner and shall be accompanied <sup>1</sup>[by many copies of the proposed bye-laws as may be prescribed]; and the persons by whom or on whose behalf such application is made shall furnish such information in regard to the society as the Registrar may require.

*Registrar to decide certain questions.*

14. The Registrar shall decide all questions as to whether the application complies with the provisions of this Act and the rules and whether the objects of the society are in accordance with section 11.

*Registration.*

15. If the Registrar is satisfied that the application complies with the provisions of this Act and the rules and that the proposed bye-laws are not contrary thereto, he shall, unless for reasons to be recorded in writing he thinks fit to refuse, register the society and its bye-laws.

*Evidence of Registration.*

16. A certificate of registration signed by the Registrar shall be issued to the society and shall be conclusive evidence that the co-operative society therein mentioned is a co-operative society duly registered under this Act and that its bye-laws are as attached to the certificate, unless it is proved that the registration of the society has been cancelled or that the bye-laws have been amended in accordance with section 17 or section 18.

*Amendment of bye-laws of a co-operative society.*

17. (1) No amendment of any bye-law of a co-operative society, whether by way of addition, cancellation or alteration, shall be valid until such amendment has been registered under this Act.

(2) Every proposal for such amendment, framed in accordance with the rules, shall be forwarded to the Registrar; and if the Registrar is satisfied that the proposed amendment is not contrary to the provisions of the Act or the rules, he shall, unless for reasons to be recorded in writing he sees fit to refuse, register the amendment.

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<sup>1</sup>The words within square brackets were substituted for the words "by a copy of the proposed bye-laws" by section 6 of E.P. Act III of 1964.

(3) The Registrar shall forward to the society a copy of the amendment thus registered, together with a certificate signed by him; and such certificate shall be conclusive evidence that the amendment has been duly registered.

<sup>1</sup>[*Power of financing bank or Registrar to direct amendment of bye-laws*

18. (1) Subject to the rules, if it appears to a financing bank that an amendment of the bye-laws of a co-operative society which is a member and a debtor of such bank is necessary or desirable in the interest of such society, it may, in the prescribed manner, call upon the society to make the amendment within such time as it may specify.

(2) If the society fails to make the amendment within the time specified, the financing bank may, after affording the society an opportunity of being heard, forward to the Registrar the amendment which it considers necessary or desirable, and the Registrar, if satisfied that the amendment is not contrary to the provisions of the Act or the rules, may thereupon register the amendment and forward to the society in the prescribed manner a copy thereof, together with a certificate signed by him which shall be conclusive evidence that the amendment has been registered; and such amendment shall thereupon be binding upon the society and its members.

(3) If it appears to the Registrar as a result or inspection under section 82 or section 83 or an enquiry under section 84 of the Act, that an amendment of the bye-laws of a co-operative society is necessary or desirable in the interest of such society, he may, after giving the society an opportunity of being heard and with reasons to be recorded in writing, register the amendment and forward to the society in the prescribed manner a copy thereof, together with a certificate signed by him which shall be the conclusive evidence that the amendment has been registered; and such amendment shall thereupon be binding upon the society and its members.]

### CHAPTER III

#### Status and management of Co-operative Societies.

*Co-operative societies to be bodies corporate.*

19. The registration of a co-operative society shall render it a body corporate by the name under which it is registered, with perpetual succession and a common seal, and with power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings and

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<sup>1</sup>This new section 18 was substituted for the original section 18 by East Pakistan Act XVIII of 1964, section 7.



to do all things necessary for the purposes for which it was constituted

*Final authority of a co-operative society.*

20. (1) The final authority of every co-operative society shall vest in the general body of members in general meeting:

Provided that, in such circumstances as may be prescribed, the final authority may vest in the delegates on such members, elected in the prescribed manner and assembled in general meeting <sup>1</sup>:

Provided further that from the date of dissolution of the managing committee under section 25 to the date of constitution of a managing committee under section 21, the final authority of a co-operative society shall vest in the Bangladesh Government.

(2) The general meeting shall be summoned and shall exercise its authority in such manner as may be prescribed.

*Annual general meeting.*

21. (1) A general meeting of every co-operative society shall be held once at least in every co-operative year for the purpose of —

- (a) electing members of the managing committee and such other officers  
as may be provided in the bye-laws,
- (b) considering the audit report referred to in section 79, and
- (c) considering any other matter which may be brought forward in accordance with the bye-laws.

(2) Such meeting shall be held not more than fifteen months after the date of the last preceding meeting held under sub-section (1) and, unless the Registrar on special grounds extends the period, within three months of the date prescribed for the receipt by the co-operative society of the audit report referred to in section 79:

Provided that the Registrar may, if he thinks fit, permit such meeting to be held not more than eighteen months after the date of the last preceding meeting held under sub-section (1).

*Special general meeting.*

22. (1) A special general meeting may be called at any time by a majority of the members of the managing committee and shall be called

- (a) on the requisition in writing of one-third of the members of any co-operative society having not more than five hundred

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<sup>1</sup>A colon was substituted at the end of the proviso to sub-section (1) and thereafter this new further proviso was added by East Pakistan Act XVIII of 1964, section 8.

members or of one-fifth of the members of any other society;  
or

- (b) at the instance of the Registrar:

Provided that, in the case of any society having more than two thousand five hundred members, a requisition under clause (a) may be presented by delegates elected in the prescribed manner.

(2) The Registrar, or any person authorised by him in this behalf by special order in writing, may call a general meeting of a co-operative society at any time, and shall call such a meeting upon failure of the society to call a meeting on a requisition by the members or at the instance of the Registrar under sub-section (1).

(3) Notwithstanding any rule or bye-law prescribing the period of notice for, and the method of summoning, a general meeting, the Registrar, in the case of a meeting called at his instance under sub-section (1), or the person calling the meeting in the case of a meeting called under sub-section (2), may specify the time and place for the meeting, the manner in which it shall be summoned and the matter which shall be discussed thereat.

*<sup>1</sup>[General meeting or special general meeting incompetent to interfere with works of appointed managing committee.]*

**22A.** Notwithstanding anything contained in sections 21 and 22, a general meeting or a special general meeting of a cooperative society, the managing committee of which has been dissolved under section 25 and a managing committee has been appointed under section 26, shall not be competent —

- (a) to elect, subject to the provision of sub-section (2) of section 26, members of the managing committee or any other officer for managing the affairs of the society;
- (b) to disapprove or modify the budget as prepared by the managing committee and approved by the Registrar; or
- (c) to do anything which, in the opinion of the Registrar, is likely to create any impediment in the way of smooth functioning of the appointed managing committee in any manner whatsoever.]

#### *Managing committee*

**23.** The management of every co-operative society shall vest in a managing committee constituted in accordance with <sup>2</sup>[\*with this Act,] the

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<sup>1</sup>After section 22 this new section 22A was inserted by East Pakistan Act XVIII of 1964, section 9.

<sup>2</sup>The words within square brackets were inserted after the words "in accordance with" by section 10 of E.P. Act XVIII of 1964.

rules and the bye-laws, which shall exercise such powers and perform such duties as may be conferred or imposed respectively by this Act, the rules and the bye-laws.

<sup>1</sup>*[Power to depute servant of Bangladesh to manage affairs of a co-operative society.]*

24. The Registrar may, on the application of a co-operative society, and on such conditions as may be prescribed, depute a servant of Bangladesh to the service of the society for the purpose of managing its affairs and a servant of Bangladesh so deputed shall exercise such powers and perform such duties as may be prescribed:

Provided that prior orders of the Bangladesh Government shall be necessary in respect of such deputation of a gazetted officer.]

<sup>2</sup>*[Dissolution and reconstitution of managing committee and disqualification of its members.]*

25. (1) If the Registrar, as a result of an audit under section 76 or inspection under section 82 or 83 or an enquiry under section 84, is satisfied for reasons to be recorded by him in writing that a co-operative society is suffering from insolvency or that the managing committee of a co-operative society is mismanaging its affairs, he may, under clause (b) of sub-section (1) of section 22 direct that, within such time as he may determine, a special general meeting of the society shall be held to dissolve and reconstitute such managing committee:

Provided that where more than fifty per centum of the paid-up-share capital or where more than fifty per centum of the borrowed capital of a co-operative society represents share purchased by the Bangladesh Government or represents loans and advances given or guaranteed respectively by the Bangladesh Government, the Registrar may, by an order in writing, dissolve such managing committee:

Provided further that no such order of dissolution shall be passed without giving the managing committee an opportunity of being heard.

(2) In any direction made under sub-section (1) or under proviso to sub-section (1) or under sub-section (3) of this section, the Registrar, may, for reasons to be recorded by him in writing, order that all or any of the members of the outgoing managing committee shall, for such period not exceeding three years from the date of the order as he may determine, be disqualified for election or appointment as an officer of any co-operative society:

Provided that no person shall be so disqualified unless opportunity has

<sup>3</sup>Section 24 substituted for the original section, *ibid*, section 11.

<sup>2</sup>Section 25 was substituted by section 12, *ibid*.

been given to state his objection.

(3) If the managing committee is not Dissolved and reconstituted within the time determined and in such manner as may be directed by the Registrar under sub-section (1), he may, by an order in writing, dissolve the managing committee.]

(4) Where the Government, after causing such enquiry to be made into the affairs of a co-operative society as it may deem fit, is satisfied that the Co-operative society is suffering from insolvency or that its managing committee is mismanaging the affairs or acting in a manner prejudicial to the interest of the society, it may without prejudice to the powers of the Registrar under this section, by order in writing, dissolve the managing committee of the society.

Provided that no such order shall be made without giving the managing committee an opportunity of showing cause against the order. <sup>1</sup>{

<sup>2</sup>*Appointment of a managing committee to manage the affairs of co-operative society.*

26. (1) When the managing committee is dissolved either under proviso to sub-section (1) of section 25, or under sub-section (3) of section 25, or under sub-section (4) of section 25, the members of the outgoing managing committee shall forthwith vacate their office; and the Registrar; and where the managing committee is dissolved under sub-section (4) of section 25, the Government shall appoint a person or a managing committee consisting of persons not exceeding five in number and shall appoint a chairman and, if necessary, such other officer from amongst them to manage the affairs of such co-operative society for such period not exceeding one year and the managing committee so appointed shall forthwith take over charge of such co-operative society through its chairman or any other officer<sup>3</sup>.

Provided that the Government may extend the period of one year for such further period as it may think fit.

Provided further that in case of a co-operative society the managing committee of which has been dissolved under proviso to sub-section (1) of section 25, the Government may increase the number of members of such managing committee to any number not exceeding nine and Registrar shall appoint all or the remaining members of such managing committee.

<sup>1</sup>This new sub-section has been added vide Bangladesh Gazette Extra-ordinary dated 25.6.1974.

<sup>2</sup>This new section 26 was substituted for the original section by East Pakistan Act XVIII of 1964, section 13.

<sup>3</sup>This sub-section was newly incorporated as per Act No. XL of 1974, (25th June).

(2) The person or the committee appointed under sub-section (1) shall, on the direction of the Registrar, before the termination of the term of his or its office, take necessary action under the bye-laws of the Co-operative society to elect a managing committee to succeed him or it, as the case may be.

(3) Where a person or a managing committee has been appointed under sub-section (1), the Registrar may, at any time, for reasons to be recorded by him in writing, reconstitute the committee or require him or any or all the members of such committee to vacate his or their office or offices, as the case may be, before the expiry of the period of his or their appointment after giving him or them reasonable opportunity to show cause and may make appointment in his or their places.

(4) At the time of every extension of the period of one year under the proviso to sub-section (1), the Registrar may reconstitute the managing committee appointed under sub-section (1).

(5) Notwithstanding anything contained elsewhere in this Act, or in the rules made thereunder or in the bye-laws of a co-operative society, the managing committee appointed under sub-section (1) shall, in exercise of its powers and in performance of its duties, observe such directions, if any, as the Bangladesh Government may, from time to time, issue.]

<sup>1</sup>[*Tenure of office of person appointed under section 26.*

27. A person or a managing committee appointed under section 26 shall hold office until the managing committee is constituted under section 21 or his or its appointment is cancelled by the appropriate appointing authority.]

<sup>2</sup>*Management of co-operative society on dissolution of its committee.*

28. During the tenure of office of a person or managing committee appointed under sub-section (1) of section 26 —

(a) all properties of the co-operative society shall vest in the Registrar; and

(b) subject to the control of the Registrar, and notwithstanding the preferring of any appeal under section 134, such person or managing committee shall exercise all the powers and perform all the duties which may, under this Act, rules and the bye-laws, be exercised or performed by the managing committee or any officer of the society.]

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<sup>1</sup>Section 27 was substituted for the original section by East Pakistan Act XVIII of 1964, section 14.

<sup>2</sup>Section 28 was substituted by section 15, *ibid.*

<sup>1</sup>*[Removal of members of the managing committee.*

**28A.** Where the Government, after causing such enquiry as it may deem fit, is satisfied that any member of the managing committee of a co-operative society is abusing its position as an officer of the society or is otherwise acting in any manner prejudicial to the interest of the society, it may, without prejudice to any action to which such member may be liable under this act or any other law, by order in writing, remove him from the membership of the managing committee and thereupon he shall cease to be such member and also be disqualified, or such period not exceeding five years as may be specified in the order from being a member or an officer of that society or any other co-operative society.

Provided that no such order shall be made without giving the member an opportunity of showing cause against the order<sup>2</sup>.

<sup>3</sup>*[Disqualification of a person from being a member of  
Managing Committee, etc.*

**28B.** Where the Government, after causing such enquiry as it may deem fit, is satisfied that a person, having been a member of the managing committee of a co-operative society, abused his position as an officer of the society or otherwise acted in any manner prejudicial to the interest of the society, it may, without prejudice to any action to which such person may be liable under this act or any other law, by order in writing, direct that such person shall be disqualified, for such period not exceeding five years as may be specified in the order, from being a member or an officer of that society or any other co-operative society :

Provided that no such order shall be made without giving the person an opportunity of showing cause against such order.

## CHAPTER IV

### Duties and Obligations of Co-operative Societies

#### *Address of co-operative society*

**29.** Every co-operative society shall have an address, registered in accordance with the rules, to which all notices and communications may be sent, and shall send notice in writing of every change thereof, within thirty days of such change to the Registrar and to the financing bank, if any, of which it is a member.

<sup>1</sup>This new section was incorporated as per Ordinance IX of 1974.

<sup>2</sup>Vide Bangladesh Gazette Extra-ordinary dated 17.6.76.

<sup>3</sup>This new sec. 28B was incorporated as per Bangladesh Gazette Extra-ordinary dated 17.6.76.

*Copy of Act, etc. to be open to Inspection.*

**30.** Every co-operative society shall keep open to inspection free of charge at all reasonable times at the address of the society —

- (a) a copy of this Act;
- (b) a copy of the rules;
- (c) a copy of the bye-laws of the society;
- (d) a register of members; and
- (e) such other documents as may be prescribed.

*Publication of annual balance sheet.*

**31.** The balance sheet authenticated by the audit officer shall be annually published by every co-operative society in the prescribed manner.

*Restrictions on borrowing.*

**32.** A co-operative society shall receive deposits and loans from persons who are not members only to such extent and under such conditions as may be prescribed by the rules or bye-laws; and shall in respect of such deposits or loans make such provision for the maintenance of fluid resource as may be prescribed.

*Power of Bangladesh Government to guarantee principal and interest of debentures*

**33.** (1) In the case of any debentures or of any class or series or issue of debentures issued under this Act, the Bangladesh Government shall —

- (a) guarantee the principal thereof and the interest thereon, subject to such maximum amount of principal or such rate of interest and to such other conditions as may be prescribed; and
- (b) notwithstanding anything contained in '[the Trusts Act], 1882, (11 of 1882) declare that such debentures shall be deemed to be included among the securities enumerated in section 20 of the said Act.

(2) Such debentures shall not be issued save with the express authority of the Bangladesh Government.

*Issue of guaranteed debentures.*

**34.** (1) When a co-operative society is authorised under the

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<sup>1</sup>These words were substituted for the words "the Indian Trusts Act" by East Pakistan Ordinance XXVIII of 1960, First Schedule.

provisions of sub-section (2) of section 33 to receive loans by the issue of debentures, the principal of and interest on which is so guaranteed, the Bangladesh Government shall appoint the Registrar or some other person to be the Trustee for the purpose of securing the fulfilment of the obligations of the society to the holders of the debentures.

(2) With the previous sanction of the Trustee and subject to such conditions as he may impose, a co-operative society may issue debentures of one or more denominations for such period as it may deem expedient on the security of the assets of the society, including any mortgages which it holds by acceptance assignment or transfer.

(3) Such debentures may be issued subject to either or both of the following conditions, namely:—

- (a) fixing a period, not exceeding thirty years from the date of issue, during which they shall be irredeemable.
- (b) reserving to the society the right to call in at any time any previously issued debentures in advance of the date fixed for redemption after giving to the debenture-holder concerned not less than three months' notice in writing.

and may be subject also to any other conditions imposed by the Trustee.

(4) The total amount payable in respect of debentures issued by a society (including any debentures issued before the commencement of this Act) and outstanding at any time shall not exceed the total amount due on the mortgages, the amounts paid thereunder and remaining in the hands of the society or of the Trustee at such time and the value of all other assets of the society held by transfer or assignment subsisting at that time.

(5) Where a co-operative society has called in any debenture in advance of the date fixed for redemption, the society shall, subject to the previous permission of the Trustee, have the power to cancel the debenture and issue any new debenture in place of the debenture paid of or otherwise satisfied or extinguished, or to re-issue the debenture either by re-issuing the same debenture or by issuing another debenture in its place; and by virtue of such re-issue the person entitled to such debenture shall have, and shall be deemed to have always had, the same rights and priorities, if any, as if the debenture had not been previously issued.

*Trustee to be a corporation sole.*

35. The Trustee appointed under section 34 shall be a corporation sole by the name of the Trustee for the debentures in respect of which he is appointed, and as such shall have perpetual succession and a common seal and in his corporate name shall sue and be sued.



*Powers and functions of Trustee.*

**36.** (1) The powers and functions of the Trustee shall be governed by the provisions of this Act and the instrument of trust executed between the co-operative society and the Trustee.

(2) The form of such instrument, and any modification which the parties thereto may mutually agree to make in any of its terms after its execution, shall be subject to the previous approval of the Bangladesh Government.

*Debenture-holders' charge on assets.*

**37.** Upon the issue of debentures under the provisions of sub-section (2) of section 34, the assets of the co-operative society, including any mortgages which it holds by acceptance, assignment or transfer, shall vest in the Trustee and the holders of debentures shall have a floating charge on all such assets, including the amounts paid under such mortgages and remaining in the hands of the Trustee or the society, and on the properties of the society.

*Power of Bangladesh Government to give financial assistance.*

**38.** Notwithstanding anything contained in any other law for the time being in force, the Bangladesh Government may, subject to the rules grant loans to, take shares in, or give financial assistance in any other form to any co-operative society.

**39.** (1) a co-operative society shall not make loans —

- (a) to any person other than a member; or
  - (b) to a member in excess either of the maximum or of the normal credit determined by the society for that member in accordance with the rules, whichever may be prescribed; or
  - (c) save with the special sanction of the Registrar given in accordance with the rules, on the security of movable property.
- (2) The Bangladesh Government may, by general or special order, after giving any society likely to be affected thereby an opportunity of being heard in such manner as may be prescribed, prohibit or restrict the lending of money on mortgage of immovable property by any society or class of societies other than a co-operative land mortgage bank.

*Restrictions on other transactions with non-members.*

**40.** Save as provided in sections 32 to 39 inclusive, 48 and 49, the

transactions of a co-operative society with persons other than members shall be subject to such prohibitions and restrictions, if any, as may be prescribed.

*Liability to furnish information.*

41. Every officer and every member of a co-operative society shall furnish such information in regard to the transactions or working of the society as may be required of him by the Registrar or an audit officer, arbitrator, liquidator or any person conducting an inspection or inquiry under Chapter VIII.

## CHAPTER V

### Privileges of Co-operative Societies.

*Change of name and its effect.*

42. (1) With the previous approval of the Registrar, a co-operative society may, by a resolution passed at a general meeting, change its name.

(2) Such change of name shall not affect any right or obligation of the society or of any of its members, or past members, or of the estate of any of its deceased members; and any legal proceedings pending on the date of such change in which such society is a party may be continued by or against the society under its new name.

*Change of liability.*

43. (1) Subject to the provisions of this Act and of the rules, a co-operative society, with the previous approval of the Registrar, may, by a resolution passed at a general meeting, change its form of liability.

(2) When such a resolution has been passed, the society shall give notice thereof in writing in the prescribed manner to all its members and creditors and, notwithstanding any byelaw or contract to the contrary, any member or creditor shall, within six months of the service of the notice upon him, have the option of withdrawing his shares, deposits or loans. Any member or creditor who does not exercise his option within the period aforesaid shall be deemed to have assented to the change.

(3) The change shall not take effect until either —

(a) the assent thereto of all members and creditors has been secured; or

- (b) all claims of members and creditors who exercise the option referred to in sub-section (2) have been met in full.

*Co-operative society's power to call for statement of claims.*

44. (1) When a member of a co-operative society which includes among its objects the advance of loans to its members applies for a loan or when a person applies for membership of such a society, the society may in the prescribed manner serve a notice on any creditor named in the application or ascertained after subsequent inquiry, and may also publish a general notice on all creditors, requiring him or them, in the prescribed form and within the time specified in the notice, to furnish a written statement of his or their claim.

(2) When a member of a co-operative society which includes among its objects the advance of loans to its members intends to apply for a loan from any person other than the society, such member shall send to the society a notice in writing stating —

- (a) his intention to apply for such loan,
- (b) the amount of the loan for which he intends to apply, and
- (c) the object of taking the loan.

*Co-operative society's power to call for notice of rent suit.*

45. A co-operative society which includes amongst its objects the advance of loans to its members, and the financing bank, if any, of which such society is a member, <sup>1</sup>[or to which it is a debtor], may by a notice served in the prescribed manner upon the landlord of any member of such society require the landlord to furnish to such society or the financing bank or both notice of any rent suit instituted by him against such member.

*Limitation.*

46. Notwithstanding any of the provisions of <sup>2</sup>[the Limitation Act], 1908, (IX of 1908) the period of limitation for the institution of a suit to recover any sum, including interest thereon, due to a co-operative society by a member thereof shall be computed from the date on which such member dies or ceases to be a member of the society.

*Debts due to co-operative societies to be a first charge.*

47. (1) Notwithstanding anything contained in sections 60 and 61 of

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<sup>1</sup>The words within square brackets were inserted after the words and commas "the financing bank, if any, of which such society is a member" by East Pakistan Act XVIII of 1964, section 16.

<sup>2</sup>The words within square brackets were substituted for the words "the Indian Limitation Act" by East Pakistan Ordinance XXVIII of 1960, First Schedule.

the Code of Civil Procedure, 1908, (Act V of 1908) or in the Bengal Tenancy Act, 1885, (VIII of 1885) but subject to any claim of the Bangladesh Government in respect of land revenue, or any sum recoverable as land revenue or as a public demand, or of a landlord in respect of rent or any sum recoverable as rent, any debt or outstanding demand due to a co-operative society by any member, past member or the estate of any deceased member shall be a first charge —

- (a) if such debt or demand is due in respect of the supply of, or any loan to provide the means of paying for seed, manure, labour, subsistence, fodder for cattle or any other thing incidental to the conduct of agricultural operations, — upon the crops or agricultural produce of such member, past member or belonging to the estate of such deceased member, at any time within two years from the date on which the last instalment of such supply or loan became repayable;
- (b) if such debt or demand is due in respect of the supply of, or of any loan to provide the means of paying for, irrigation facilities, — upon the crops or agricultural produce of such member, past member or belonging to the estate of such deceased member, at any time within two years from the date on which the last instalment of such supply or loan became repayable, or upon the crops or agricultural produce of the land so provided with irrigation facilities;
- (c) if such debt or demand is due in respect of the supply of, or any loan for the purchase of cattle, agricultural implements or warehouses for the storage of agricultural produce — in the manner and to the extent aforesaid upon the crops or agricultural produce of such member, past member or belonging to the estate of such deceased member and also upon the cattle, agricultural implements or warehouses thus supplied or purchased wholly or in part from any such loan;
- (d) if such debt or demand is due in respect of the supply of, or any loan for the purchase of raw materials, industrial implements, machinery, workshops, warehouses or business premises, — upon the raw material or other things supplied or purchased by such member, past member or deceased member wholly or in part from any such loan and also upon any articles manufactured from raw materials or with implements or machinery so supplied or purchased wholly or in part from any such loan;
- (e) if such debt or demand is due in respect of any loan for the

purchase or redemption of land, upon the land purchased or redeemed by such member, past member or deceased member from any such loan;<sup>1</sup>

- (f) if such debt or demand is due in respect of any loan for the purchase or construction of any house or building or any portion thereof or in respect of the supply of materials for such construction, — upon the house or building so purchased or constructed by such member, past member or deceased member from any such loan or material <sup>1</sup>[; and]
- <sup>1</sup>[(g) If such debt or demand is due in respect of any loan secured by mortgage of any immovable property, — upon the immovable property so mortgaged by such member, past member or deceased member.]

(2) Nothing in clauses (a), (c), (d), (e) or (f) of sub-section (1) shall affect the claims of any bonafide purchaser or transferee for value without notice of any such crops or other agricultural produce, fodder, cattle, agricultural or industrial implements, machinery, raw materials, workshops, warehouses, premises, manufactured articles, houses, buildings or land.

*Levy of water rate on non-members.*

48. (1) A co-operative society, an object of which is the provision of irrigational facilities to the cultivable land of its members, may in the prescribed form apply to the Collector for demarcation of the area irrigable from any source of irrigation other than a tank which has, under section 4 of the Bengal Tanks Improvement Act, 1939, been declared to be a derelict tank.

(2) Such area shall be termed the "irrigable area".

(3) On receipt of such application, the Collector shall, after giving notice in the prescribed manner, cause to be prepared, in the prescribed form, by an officer subordinate to him, a map of the irrigable area and a statement of the cultivable lands included therein; and such map and statement shall be published in the prescribed manner.

(4) If the lands possessed by the members of such society comprise not less than sixty per centum of the cultivable lands included in the irrigable area, such society may, subject to rules made in this behalf, levy a water rate upon any non-member of the society possessing within such area cultivable land which is benefitted by the irrigational facilities referred to in sub-section (1).

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<sup>1</sup>The word "and" at the end of clause "e" was omitted and the semicolon and the word "and" were substituted for the full stop at the end of clause (f) and thereafter clause (g) was added by East Pakistan Act XVIII of 1964, section 17.

(5) Such water rate shall be recoverable in the manner provided in this Act for the recovery of sums due to the society by the members, past members and deceased members thereof.

*Levy of embankment protection rate on non-members.*

49. (1) A co-operative society, an object of which is the provision of embankment protection facilities to the lands of its members, may in the prescribed form apply to the Collector for demarcation of the area protected by any embankment.

(2) Such area shall be termed the "protected area".

(3) On receipt of such application, the Collector shall, after giving notice in the prescribed manner, cause to be prepared in the prescribed form, by an officer subordinate to him, a map of the protected area and a statement of the lands included therein; and a copy of such map and statement shall be published in the prescribed manner.

(4) If the lands possessed by the members of such society comprise not less than sixty per centum of the lands included in the protected area, such society may, subject to rules made in this behalf, levy an embankment protection rate upon any non-member of the society possessing land within such area.

(5) Such embankment protection rate shall be recoverable in the manner provided in this Act for the recovery of sums due to the society by the members, past members and deceased members thereof.

*Charge and set off in respect of share or interest of members.*

50. A co-operative society shall have a charge upon the share or interest in the capital and the deposits of a member or a past or deceased member and upon any amount payable out of profits to a member or past member or the estate of a deceased member in respect of any debt due from such member or past member or the estate of such deceased member to the society and may, subject to the provisions of sections 69 to 73 inclusive and of the rules and bye-laws, set off any sum credited or payable to a member, past member or the estate of a deceased member in or towards the payment of any such debt <sup>1</sup>[:

Provided that in case of setting off the share of member, previous approval of the Registrar shall be necessary.]

<sup>2</sup>*[Deduction of dues to co-operative societies from salaries of members.*

51. If a member of a co-operative society who is in the service of

<sup>1</sup>A colon was substituted at the end of section 50 and thereafter this proviso was added by East Pakistan Act XVIII of 1964, section 18.

<sup>2</sup>This new section 51 was substituted for the original section by section 19, *ibid*.

Bangladesh or of any local authority or of any other person, takes a loan from a co-operative society in terms of a written contract to repay such loan by instalments, and authorises the society in writing to recover such instalments by deduction from his salary, the person who disburses any amount payable to such members as salary in respect of such service or in the case of a gazetted officer of the Government, the Accountant-General or the Treasury Officer who passes their bills for payment shall, on demand from the society, deduct the amount of such instalment from the amount disbursed or passed for payment to such member as salary and shall forthwith remit to the society the amount so deducted :

Provided that nothing in this section shall apply to persons employed in mines or oil-fields.]

*Exemption from compulsory registration of instruments relating to shares and debentures of co-operative society.*

52. Nothing in clauses (b) and (c) of sub-section (1) of section 17 of the <sup>1</sup>[Registration Act], 1908, (Act XVI of 1908) shall apply to —

- (a) any instrument relating to shares in a co-operative society, notwithstanding that the **assets** of such society consist wholly or in part of **immovable property**; or
- (b) any debenture issued by any such society and not creating, declaring, assigning, limiting or extinguishing any right, title or interest to or in immovable property, except in so far as it entitles the holder to the security afforded by a registered instrument whereby the society has mortgaged, conveyed or otherwise transferred the whole or part of its immovable property or any interest therein to trustees upon trust for the benefit of the holders of such debentures; or
- (c) any endorsement upon or transfer of any debenture issued by any such society.

*Power to remit certain duties, fees, etc.*

53. (1) The Bangladesh Government may by general or special order in the case of any co-operative society or class of co-operative societies remit any tax, cess or fee payable under any law for the time being in force or the rules framed thereunder in respect of which the Bangladesh Government is competent to remit such tax, cess or fee.

- (2) In respect of any co-operative society or class of co-operative societies the Bangladesh Government may, by notification in

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<sup>1</sup>The words within square brackets were substituted for the words "Indian Registration Act" by East Pakistan Ordinance XXVIII of 1960, First Schedule.

the Official Gazette, remit —

- (a) the stamp duty <sup>1</sup> \* \* \* in respect of any instrument executed by, or on behalf of, or in favour of, a co-operative society or by an officer or on behalf of a member thereof and relating to the business of such society, in cases where, but for such remission, the co-operative society, officer or member thereof, as the case may be, would be liable to pay the stamp duty chargeable under any law for the time being in force in respect of such instrument, and
- (b) any fee payable by a co-operative society under any law for the time being in force for the registration of documents.

*Power of Registrar to sanction a compromise between a co-operative society and its creditors*

54. (1) Notwithstanding anything contained in this Act, where a compromise or arrangement is proposed between a co-operative society and its creditor or creditors or any class of them the Registrar, upon an application made in the prescribed manner by the society or by any creditor or, in the case of a society in respect of which an order has been passed for the winding up thereof, by the liquidator, may order a meeting of the creditors or the class of creditors, as the case may be, to be called, held and conducted in such manner as may be prescribed.

(2) If a majority in number of the creditors of the class of creditors, as the case may be, representing claims to three-fourths of the debts due by the society to the creditors or the class of creditors, present either in person or by proxy at the meeting agree to any compromise or arrangement, the compromise or arrangement shall, if sanctioned by the Registrar, upon publication in the prescribed manner, be binding on all the creditors or the class of creditors, as the case may be, and also on the society or, in the case of a society in respect of which an order has been passed for winding up thereof, on the liquidator and on all persons who have been or may be required by the liquidator under section 91 to contribute to the assets of the society.

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<sup>1</sup>The words, brackets and comma within square brackets "(Other than Stamp duties following item 57 or item 59 in List 1 in the Seventh Schedule to the Government of India Act, 1935)" were omitted by East Pakistan Ordinance XXVIII of 1960, First Schedule.



## CHAPTER VI

### Property and Funds of Co-operative Societies.

#### *Investment of funds.*

- 55.** A co-operative society may invest or deposit its funds —
- (a) in a Government Saving Bank; or
  - (b) in any of the securities specified in section 20 of <sup>1</sup>[the Trusts Act 1], 1882, (II of 1882) or
  - (c) with the sanction of the Registrar, in the shares or debentures or on the security of any other co-operative society with limited liability; or
  - (d) in any other manner prescribed.

#### *Reserve fund.*

**56.** (1) Every co-operative society shall maintain a reserve fund in respect of the profits, if any, derivable from its transactions.

(2) Of the net profits of a co-operative society in each year there shall be carried to the reserve fund not less than twenty-five per centum or such higher proportion as may be prescribed for such society or class of societies.

(3) Save to the extent that, and in such manner as, may be prescribed no part of its reserve fund shall be used in the business of a co-operative society.

(4) Subject to the rules, any portion of the reserve fund not used in the business of the society shall be invested or deposited —

- (a) in the Government Savings Bank; or
- (b) in any of the securities specified in section <sup>2</sup>[20] of [the Trusts Act], 1882, (II of 1882) other than those specified in clause (e) of that section; or
- (c) in any other bank approved by the Registrar.

#### *Distribution of profits.*

**57.** (1) Save as may be prescribed, no distribution of profits shall be made in the case of a co-operative society with unlimited liability; and save as provided in this section, no part of the funds of a co-operative society shall be divided by way of dividend or bonus or otherwise among its members.

<sup>1</sup>The words within square brackets were substituted for the words "The Indian Trusts Act" by East Pakistan Ordinance XXVIII of 1960, First Schedule.

<sup>2</sup>This was substituted for the figure "29" by the East Bengal Laws (Amendment and Repeal) Act, 1949 (East Bengal Act V of 1950), section 2 and the First Schedule.

- (2) No dividend or bonus shall be paid —
- (a) otherwise than out of profits certified by the audit officer to have been actually realised; or
- (b) without the previous sanction of the Registrar, if the audit officer reports that any asset is bad or doubtful and also recommends that such sanction is necessary:

Provided that the audit officer shall not so recommend if such asset is adequately covered.

(3) Subject to the provisions of sub-section (2), after the proportion required by sub-section (2) of section 56 has been carried to the reserve fund from the net profits of any year, the balance of such profits, together with undistributed profits of past years if any, may, to such extent and under such conditions as may be prescribed, be distributed as dividend among the members or paid as bonus or remuneration to a member or employee for any specific service rendered to the society.

(4) No contribution under section 58 shall be paid otherwise than out of profit actually realised.

*Contribution to charitable purposes.*

**58.** After there has been carried to the reserve fund the proportion of the net profits of any year required by sub-section (2) of section 56, a co-operative society

<sup>1</sup>[(a) shall, in the prescribed manner, contribute an amount not less than five per centum of the balance of the year's remaining profits for co-operative education or for other co-operative purpose as may be prescribed], and

(b) may in accordance with the rules contribute not more than ten per centum of such balance for any charitable purpose as defined in section 2 of the Charitable Endowments Act, 1890.

*Provident fund.*

**59.** <sup>2</sup>[(1) A Co-operative Society may establish a Provident Fund for its members, officers or servants from the contributions of such members, officers or servants, as the case may be, and may make such contributions to the Provident Fund as may be provided for in the rules or bye-laws.] (VI of 1890)

(2) Such Provident Fund shall not be used in the business of the

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<sup>1</sup>This new clause (a) was substituted for the original clause by East Pakistan Act XVIII of 1964, section 20.

<sup>2</sup>This new sub-section (1) was substituted for the original sub-section by East Pakistan Act XVIII of 1964, section 21.

society, but shall be invested or deposited in one or more of the ways specified in sub-section (4) of section 56.

*<sup>1</sup>Restriction on distribution of profits before setting off losses.*

**59A.** Notwithstanding anything contained in sections 56, 57, 58 and 59 in this Act, no profit shall be distributed without the previous losses, if any, being fully set off out of net profits earned.

## CHAPTER VII

### Privileges, Liabilities and Obligations of Members of Co-operative Societies.

#### *Votes of members*

**60.** (1) Subject to the rules relating to voting by delegates, no member of a co-operative society shall have more than one vote in its affairs:

Provided that in the case of an equality of votes the Chairman shall have a second or casting vote.

(2) A co-operative society which is a member of another co-operative society may appoint one of its members not disqualified for such appointment under any rule or bye-law to vote in the affairs of such other society.

#### *Members not to exercise rights till due payment made.*

**61.** No member of a co-operative society shall exercise the rights of a member until he had made such payment to the society in respect of membership or acquired such interest in the society as may be provided for in the rules or bye-laws.

#### *Members to furnish information to their financial position and alienation of their immovable property.*

**62.** (1) A full, true and accurate statement of his assets and liabilities shall be furnished—

- (a) by an applicant for membership of a co-operative society with unlimited liability, together with his application;
- (b) by a member of a co-operative society with unlimited liability when required to do so by the Registrar or any person authorised by him by a general or special order or by the financing bank; and
- (c) by a member of any society, together with any application for a loan or for acceptance as a surety.

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<sup>1</sup>This new section 59A was inserted after section 59 by section 22, *ibid.*

share or interest as part of the estate of the deceased member;  
or

- (c) on the application of the person referred to in clause (b) within three months of the death of the deceased member, to any person specified in the application.

(2) If the share or interest of the deceased cannot be legally transferred in accordance with the provisions of sub-section (1), or if the person to whom the share or interest is payable under that sub-section within one year of the death of the deceased member claims payment of the value of such share or interest, or if the society in accordance with the rules and bye-laws decides to proceed according to this sub-section—

- (a) the share shall be transferred to some other person qualified in accordance with the provisions of section 68 to be the transferee of the share, on receipt from such person of the value thereof; and
- (b) the value of the share or interest of the deceased member determined in accordance with the rules shall be paid to the person nominated in accordance with the provisions of section 69 or to the person appearing to be entitled to possession of such share or interest as aforesaid after deducting the amount of any sum payable under this Act to the society from the estate of the deceased member.

*Disposal of share or interest of expelled, resigned or insane member.*

71. When a member of a co-operative society becomes disqualified from being such member under section 28A, or, is expelled or resigns in accordance with the rules or the bye-laws or when a member becomes insane —

(a) his share or interest shall be transferred to another person qualified to be the transferee in accordance with the provisions of section 68, and the value thereof determined in accordance with the rules shall be paid to such member or, if he is insane, to any person appointed to manage his properties under [the Lunacy Act], 1912, (IV of 1912) or

(b) in the case of a society, with unlimited liability, if the bye-laws so provide, the value of his share or interest determined in accordance with the rules shall be paid to him or, if he is insane, to any person appointed to manage his properties under [the Lunacy Act], (IV of 1912) 1912.

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\*These words were substituted for the words "the Indian Lunacy Act" by East Pakistan Ordinance XXVIII of 1960, First Schedule.

*Restriction on transfer of possession of and interest in land  
held under a co-operative society.*

72. Notwithstanding anything contained elsewhere in this Act or in any other law for the time being in force —

- (1) a member of a co-operative society, the object of which is the reclamation and colonization of land or the acquisition of land and the leasing thereof to its members, shall not be entitled to transfer his possession of or interest in any land held by him under the society, except to the society or, with the previous approval of the society given in accordance with its bye-laws, to a member thereof;
- (2) when the membership of a member of a co-operative society specified in clause (1) terminates by reason of his death, expulsion, resignation or insanity or any other cause, his possession of and interest in any land held by him under the society shall vest in his heir, executor or administrator or in the person, if any, nominated by him under section 69, if such heir, executor, administrator or person is willing to become a member of the society and is eligible for membership in accordance with the bye-laws of the society;
- (3) if the heir, executor, administrator or person referred to in clause (2) does not become a member of the co-operative society; the possession of an interest in the land of the deceased, expelled, resigned or insane member shall vest in the society, which shall pay to such heir, executor, administrator or person, as the case may be, a sum equivalent to the value of the land as determined in accordance with the rules<sup>1</sup>;

Provided that the society shall be competent to set off such sum or part of such sum towards the payment of any debt due from the deceased, expelled, resigned or insane member of the society; and]

- (4) to land held under a co-operative society specified in clause (1) by a member thereof, or vested under clause (2) in the heir, executor or administrator of such member or in any person nominated by such member under section 69 shall be attachable in any suit or proceeding for the recovery of any debt other than a debt due to the society or to a member thereof.

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<sup>1</sup>For the semi-colon and the word "and" at the end of sub-section (6) of section 72, a colon was substituted and thereafter this new proviso was added by East Pakistan Act XVIII of 1964, section 24.

*Disposal of share or interest of a member of wound up  
co-operative society.*

73. When an order is passed for the winding up of a co-operative society which is a member of a co-operative society with limited liability, the share or interest of the society being wound up shall, subject to the provisions of section 68, be transferred to another person or co-operative society upon receipt from such person or society of the value, determined in accordance with the rules, of such share or interest; and upon the application of the liquidator the value thereof thus received shall be paid to him.

*Disposal of moneys due to a deceased, expelled, resigned or insane  
member.*

74. All sums calculated in accordance with the rules to be due from a co-operative society to a member, other than payments in respect of the share or interest of such member to the society, shall, subject to the provisions of section 50, be paid—

- (a) in the case of a deceased member, to the person to whom the share and interest are transferred or their value is paid in accordance with the provisions of section 70;
- (b) in the case of a member who has been expelled or has resigned from a society, to him; and
- (c) in the case of a member who has become insane, to any person appointed to manage his properties under [the Lunacy Act], (IV of 1912) 1912.

*Bar to certain claims.*

75. All payments and transfers made by a co-operative society in accordance with the provisions of sections 70 to 74 inclusive shall be valid and effectual against any demand made upon the society by any other person.

## CHAPTER VIII

### Audit, Inspection and Inquiry.

*Registrar to be responsible for audit.*

76. (1) The accounts of every co-operative society shall, at least once in each year and by such date as may be prescribed, be audited by the Registrar or by an audit officer authorised by him in this behalf by general or special order in writing.

(2) In respect of every audit of its accounts a co-operative society

shall, in the manner prescribed, pay such audit fee as may be prescribed.

*Power to the Registrar to have the accounts written up.*

77. If at the time of audit the accounts of a co-operative society are not complete, the Registrar or, with his approval, the audit officer may cause the accounts to be written up the expense of the society.

*Nature of audit.*

78. (1) The audit under section 76 shall include —

- (a) a verification of the cash balances and securities;
- (b) a verification of the balance at the credit of the depositors and creditors and of the amounts due from the debtors of the society;
- (c) an examination of overdue debts, if any;
- (d) a valuation of the assets and liabilities of the society;
- (e) an examination of the transactions, including the monetary transactions of the society within such limits as may be prescribed;
- (f) an examination of the statement of accounts to be prepared by the managing committee in such form as may be prescribed;
- (g) a certification of the realised profits; and
- (h) any other matter that may be prescribed.

(1) The audit officer shall, by such date as may be prescribed, submit to the co-operative society and to the Registrar, together with the statement of accounts audited, an audit report including a statement—

*Audit officer's report.*

79. The audit officer shall, by such date as may be prescribed, submit to the co-operative society and to the Registrar, together with the statement of accounts audited, an audit report including a statement of —

- (a) every transaction which appears to him to be contrary to law or to the rules or bye-laws;
- (b) every sum which ought to have been but has not been brought into account;
- (c) the amount of any deficiency or loss which appears to have resulted from any negligence or misconduct or to require further investigation;
- (d) any money or property belonging to the society which appears to have been misappropriated or fraudulently retained by any person;

- (e) any of the assets which appears to him to be bad or doubtful; and
- (f) any other matter prescribed.

*Rectification of defects.*

**80.** A co-operative society shall be afforded by the Registrar an opportunity of explaining any defects or irregularities pointed out by the audit officer, and thereafter the society shall, within such time and in such manner as the Registrar may direct, remedy such defects and irregularities and report to the Registrar the action taken by it thereon.

*Constitution of an authority to supervise working of co-operative societies.*

**81.** (1) The Bangladesh Government may constitute an authority to appoint and control in such manner as may be prescribed, the staff required for the supervision of co-operative societies, other than such staff as may be appointed by the Bangladesh Government for the purposes of such supervision, and such authority shall be composed of such number of persons and shall perform such other functions as may be prescribed:

Provided that, of the persons composing such authority, three-fourths shall be elected by co-operative societies in such manner as may be prescribed, and one-fourth shall be nominated by the Registrar in such manner, as may be prescribed.

(2) A co-operative society shall be liable to pay, to an authority constituted under sub-section (1), such fee, in such manner, as may be prescribed.

*Inspection by registrar or financing bank.*

**82.** (1) Every co-operative society shall ; be liable at any time to inspection:

- (a) by the Registrar or any person authorised by him in this behalf by general or special order; and
- <sup>1</sup>[(b) by the financing bank, if any, of which it is a member or to which it is a debtor.]

(2) An inspection under this section by a financing bank shall be made by an officer of the bank or by a member of its paid staff certified by the Registrar in accordance with the rules as competent to conduct such an inspection.

(3) The result of an inspection under this section shall be

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<sup>1</sup>This new clause (b) was substituted for the original clause by East Pakistan Act XVIII of 1964, section 25.



communicated to the society and to the financing bank, if any, of which it is a member <sup>1</sup>[or to which it is a debtor] and, when the inspection is made by a financing bank, to the Registrar if so required by him.

*Inspection of books of an indebted co-operative society.*

**83.** (1) subject to the provisions of sub-section (2), on the application of a creditor or a co-operative society, an inspection shall be made of the books of the society by the Registrar or by a person authorised by him in this behalf by general or special order in writing.

(2) No such inspection shall be made unless —

- (a) the Registrar, after giving the society an opportunity of being heard, is satisfied that the alleged debt is a sum then due, and that the creditor has demanded payment thereof and has not received satisfaction within a reasonable time; and
- (b) the creditor deposits with the Registrar such sum as security for the costs of the inspection as the Registrar may direct.

(3) The Registrar shall communicate the result of any inspection under this section to the creditor, to the society and to the financing bank, if any, of which the society is a member [or to which it is a debtor].

*Inquiry by Registrar.*

**84.** (1) The Registrar may, at any time, of his own motion or at the request of the <sup>2</sup>[Deputy Commissioner], hold by himself or by a person authorised by him by order in writing, an inquiry into the constitution, working and financial condition of a co-operative society.

(2) Such an inquiry shall be held on the application of —

- (a) the financing bank, if any, of which the society is a member [or to which it is a debtor];
- (b) a majority of the members of the managing committee of the society;
- (c) one-third of the members of the society, each of whom has been a member of the society for not less than twelve months immediately preceding the date of the application and shall have deposited such security for costs, if any, as the Registrar may direct;
- (d) creditors representing not less than one-half of the borrowed

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<sup>1</sup>The words within square brackets were inserted after the word "member" by East Pakistan Act XVIII of 1964, Section 26.

<sup>2</sup>The words within square brackets were substituted for the words "District Magistrate", *ibid* section 27.

capital of the society, who shall have deposited such security for costs, if any, as the Registrar may direct :

Provided that, in the case of any society having more than two thousand five hundred members, an application under clause (c) may be presented by delegates elected in the prescribed manner:

(3) The Registrar shall communicate the result of any inquiry under this section to the society, to the financing bank, if any, of which the society is a member <sup>2</sup>[or to which it is a debtor], and to the [Deputy Commissioner] or the creditors, as the case may be, who applied for the inquiry.

<sup>1</sup>[*Cost of inspection or inquiry.*

85. (1) The Registrar may, after giving the parties an opportunity of being heard and by an order in writing stating the reasons therefor, apportion the costs of an inspection made under section 83 or of an inquiry held under section 84 or such portion of the costs as he things fit, between the co-operative society, the members thereof or the financing bank or the creditors applying for such inspection or inquiry, as the case may be, and the officers, former officers, members and past members of the society.

(2) The registrar may, in case of an inquiry under sub-section (1) of section 84, after giving the members or past members of the managing committee or officers concerned of the co-operative society an opportunity of being heard, assess the entire cost of such inquiry or any part thereof on any one of them or apportion such cost or such portion thereof among all or any of them as he may deem fit.

(3) No expenditure from the funds of any co-operative society shall be incurred for the purpose of defraying any costs in support of any appeal preferred by any person other than the society against an order under sub-section (1)].

## CHAPTER IX

### Settlement of Disputes.

*Disputes to be referred to registrar.*

86. Any dispute touching the business <sup>2</sup>[or affairs] of a co-operative society <sup>3\*\*\*</sup> or of the liquidator of a society shall be referred to the Registrar

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<sup>1</sup>This new section 85 was substituted for the former section by East Pakistan Act XVIII of 1964, section 28.

<sup>2</sup>The words within square brackets were inserted after the word "business" by East Pakistan Act XVIII of 1964, section 29.

<sup>3</sup>The words and brackets "(other than a dispute regarding disciplinary action taken by a society or its managing committee against a paid servant of the society)" were omitted, *ibid* section 29.

if the parties thereto are among the following, namely :—

- (a) the society, its managing committee, any past or present officer, agent or servant or the liquidator of the society; or
- (b) a member, past member or person claiming through a member, past member or deceased member of the society; or
- (c) a surety of a member, past member or deceased member of the society, whether such surety is or is not a member of the society; or
- (d) any other co-operative society or the liquidator of such society.

*Settlement of disputes.*

**87.** (1) On receipt of a reference under section 86 the Registrar shall, subject to the rules —

- (a) decide the dispute himself; or
- (b) transfer it for disposal to any person authorised by the Bangladesh Government to exercise the powers of the Registrar in this behalf; or
- (c) refer it for disposal to one or more arbitrators to be appointed by the Registrar.

(2) Subject to the rules, the Registrar may withdraw any reference transferred or referred under sub-section (1) and may deal with it himself in the manner provided in such rules.

*Force and effect of certain awards*

**88.** Where a dispute involves property pledged as collateral security, the person deciding the dispute may issue an award, which shall have the same force and effect as a final mortgage decree of a Civil Court having jurisdiction to make such a decree.

*<sup>1</sup>[Mode of disposing of proceedings under section 86.*

**88A.** If in any proceedings under section 86, the question at issue between the parties is one involving complicated question of law or facts, the Registrar may, if he thinks fit, either, —

- (a) stay the proceedings and refer the case to the District Judge for decision whereupon the decision of the District Judge shall be final; or
- (b) call upon one of the parties to institute a regular suit in a Civil Court for decision of the case within a period not exceeding six

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<sup>1</sup>This new section was inserted by East Pakistan Act XVIII of 1964, section 30.

months to be fixed by himself and stay the proceedings in the meanwhile. If no such suit is instituted within the period so fixed, the Registrar shall pass such order as he deems fit.]

## CHAPTER X

### Winding up and dissolution of Co-operative Societies.

#### *Order for the winding up of a co-operative society.*

89. (1) The Registrar may, and if the rules in any case so prescribe shall, by an order in writing, direct that a co-operative society shall be wound up if —

- (a) after an inspection has been made under section 82 or section 83 or an enquiry has been held under section 84; or
- (b) on an application made upon a resolution carried by three-fourths of the members of the society present at a special general meeting called for the purpose; or
- (c) on his own motion in the case of a society which —
  - (i) has not commenced working; or
  - (ii) has ceased working; or
  - (iii) has share capital or members' deposits not exceeding five hundred takas; or
  - (iv) has ceased to comply with any condition as to registration in this Act or in the rules or bye-laws.

he is of the opinion that the society ought to be wound up.

(2) A copy of such order shall be communicated, in the prescribed manner, to the society and to the financing bank, if any, of which the society is a member [or to which it is a debtor.]

(3) The order shall take effect —

- (a) where no appeal is preferred under section 134, on the expiry of the time allowed for preferring an appeal; or
- (b) where an appeal is preferred, upon rejection of the appeal by the appellate authority.

#### 89A. *Winding up of co-operative societies of certain institutions*

(1) Every banking institution existing immediately before the commencement of this Act which is a co-operative society and which could not have been registered and such society had this Act come into force at

the time of its registration shall cease to function and shall, notwithstanding anything contained in the said Act or in any other law for the time being in force, be wound up and dissolved.

(2) For the purpose of winding up and dissolution of a banking institution under sub-section (1), the Registrar shall as soon as may be, appoint a liquidator; and thereupon the provisions of the said act relating to liquidation and other proceedings for the winding up of a co-operative society shall mutatis and mutandis apply.

Explanation :— In this section "bank institution" and "Registrar" have the respective meanings as in the said Act.

*Appointment of a liquidator.*

90. When an order is passed under section 89 for the winding up of a co-operative society, the Registrar may, in accordance with the rules, appoint a person to be liquidator of the society and may remove such person and appoint another in his place.

*Powers of a liquidator.*

91. (1) Notwithstanding anything contained in section 89 relating to the date on which an order for winding up a co-operative society shall take effect, a liquidator appointed under section 90 shall have power from the date of his appointment to take immediate possession of all assets, properties, effects and actionable claims of the society or to which the society is entitled and of all books, records and other documents pertaining to the business of the society.

(2) From the date on which the order directing the winding up of the society takes effect the liquidator shall, subject to the rules and under the general direction and control of the Registrar, have power, so far as is necessary for the winding up of the society, on behalf of the society to carry on the business thereof and to do all acts and execute all documents necessary to such winding up, and in particular shall exercise such of the following powers as the Registrar may from time to time direct, namely, —

- (a) to institute and defend suits and other legal proceedings;
- (b) to make any compromise or arrangement with any person between whom and the society there exists any dispute and to refer any such dispute to arbitration;
- (c) to determine the debts due to the society by a member, past member or the estate, nominees, heirs or legal representatives of a deceased member;
- (d) to calculate the costs of liquidation and to determine by what

- persons and in what proportions they are to be borne;
- (e) to determine from time to time the contributions, including the items mentioned in clauses (c) and (d), to be made to the assets of the society by the members, past members or estates, nominees, heirs and legal representatives of deceased members or by the past or present officers of the society;
  - (f) to investigate all claims against the society and, subject to the provisions of this Act, to decide question of priority arising between claimants;
  - (g) to pay claims against the society (including interest up to the date of the order for the winding up thereof) according to their priority, in full or rateably as the assets of the society permit;
  - (h) to give such directions as appear to him to be necessary in regard to the realisation, collection and distribution of the assets of the society; and
  - (i) after consulting the members of the society, to dispose of the surplus, if any, remaining after paying the claims against the society.

*Priorities of contributions assessed by liquidator.*

92. Notwithstanding anything contained in <sup>1</sup>[the insolvency (Capital of the Federation and Dacca) Act], and the Bangladesh Insolvency Act, 1920, (III of 1909), (V of 1920) the contribution assessed by a liquidator shall rank next to debts due to the <sup>2</sup>[Government] or to any local authority in order of priority in insolvency proceeding.

*Liquidator to deposit the books and submit a final report.*

93. When the affairs of a co-operative society have been wound up, the liquidator shall deposit the records of the society in the prescribed manner and shall make a report to the Registrar.

*Power of registrar to cancel order of winding up or of registration of a co-operative society.*

94. (1) The Registrar may cancel an order for the winding up of a co-operative society in any case where, in his opinion, the society should continue to exist.

<sup>1</sup>These words were substituted for the words "the Presidency towns Insolvency Act 1909" by East Pakistan Ordinance XXVIII of 1960. First Schedule.

<sup>2</sup>The word within square brackets was substituted for the word "Crown" by East Pakistan Ordinance XIII of 1962, First Schedule.

(2) In any other case the Registrar shall, after considering the report of the liquidator, if any; order the registration of the society to be cancelled.

## CHAPTER XI.

### Special Provisions for Co-operative Land Mortgage Banks.

#### *Right of co-operative land mortgage bank to pay prior debts of mortgagor.*

95. (1) When a mortgage is executed in favour of a co-operative land mortgage bank for payment of a prior debt or part thereof of the mortgagor, the bank shall, notwithstanding the provisions of sections 83 and 84 of the Transfer of Property Act, 1882, (IV of 1882) by issuing notice in writing in the prescribed manner require any person to whom any such debt is due to receive payment of such debt or part thereof from the bank within such period as may be specified in the notice.

(2) The person on whom such notice is served shall be bound to receive payment of the amount offered by the bank; but where there is a disagreement between the mortgagor and such person as regards the amount of the debt, or where the bank tenders less than the agreed amount of the debt, the receipt of the sum offered by the bank shall not prejudice the right, if any, of such person to recover the balance claimed by him.

(3) If any person fails to accept such notice or to receive such payment, such debt or part thereof, as the case may be, shall cease to carry interest from the expiry of the period specified in the notice.

#### *Restriction on mortgagor's transfer of or charge on equity of redemption.*

96. Notwithstanding anything contained in any other law for the time being in force —

(1) the mortgagor of property mortgaged to a co-operative land mortgage bank shall not be entitled, after the execution of the mortgage and without the concurrence of the bank—,

- (a) to transfer or mortgage his equity of redemption, or
- (b) to create a charge upon such property for a period exceeding five years;

(2) the co-operative land mortgage bank shall not be entitled to give its concurrence under clause (1) without the previous sanction of the central co-operative land mortgage bank or the financing bank to which any sum is payable by it; and

(3) the central co-operative land mortgage bank or the financing

bank shall, if it accords its sanction under clause (2), send an intimation thereof to the Trustee, if any, appointed under section 34.

*Mortgage not to be questioned on insolvency of mortgagor.*

97. Notwithstanding anything contained in '[the insolvency (Capital of the Federation and Dacca) Act], or the Provincial Insolvency Act, 1920, (V of 1920) a mortgage executed in favour of a co-operative land mortgage bank shall not be called in question on the ground that it was not executed in good faith for valuable consideration, or on the ground that it was executed in order to give the bank a preference over the other creditors of the mortgagor.

*Priority of mortgage over claims arising under Act XIX of 1883.*

98. A mortgage executed in favour of a co-operative land mortgage bank after the commencement of this Act shall have priority over any claim of the Bangladesh Government arising from a loan under the Land Improvement Loans Act, 1883, (XIX of 1883) granted after the execution of the mortgage.

*Power to distrain.*

99. (1) If any sum due as an instalment or part of an instalment payable under a mortgage in favour of a co-operative land mortgage bank has remained unpaid for more than one month from the date on which it fell due, the bank may, in addition to any other remedy available to it, apply to the Registrar for the recovery of such sum by distraint and sale of not more than half the produce of the mortgaged land, including the standing crops thereon.

(2) Upon receipt of such application, and notwithstanding anything contained in the Transfer of Property Act, 1882, (IV of 1882) the Registrar may, subject to the provisions of this Act and the rules, take such action as is necessary to distrain and sell such produce.

(3) No distraint shall be made under this section after the expiry of twelve months from the date on which the instalment fell due.

*Distribution of proceeds of sale or distraint.*

100. The proceeds of any distraint and sale under section 99 shall be applied as follows :—

First, there shall be paid to the co-operative land mortgage bank at the prescribed rate —

(a) the costs of the sale; and

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<sup>1</sup>These words were substituted for the words "the Presidency towns Insolvency Act, 1909" by East Pakistan Ordinance XXVIII of 1960, First Schedule.



(b) the other expenses incurred on account of the distraint;

Secondly, there shall be paid to the bank the amount for which the distraint was made and there shall be given to the person whose property has been sold a receipt for the amount so paid; and

Thirdly, the residue, if any, thereafter; remaining shall be delivered to the person whose property has been sold.

*Power to bring mortgaged property to sale without the intervention of the court.*

**101.** Notwithstanding anything contained in any other law for the time being in force, where a power of sale without the intervention of the Court is expressly conferred on a co-operative land mortgage bank by a mortgage deed in favour of the bank, if any instalment under such mortgage is not paid in full on the date on which it falls due, the managing committee of the bank shall, in addition to any other remedy available to it, have the power, subject to the provisions of this Act and the rules, to bring the mortgaged property to sale without the intervention of the Court.

*Appointment of sale officer.*

**102.** The Registrar may, subject to the rules, appoint a Sale Officer for the purpose of conducting any sale under the provisions of this Chapter.

*Notice requiring payment from persons interested.*

**103.** A co-operative land mortgage bank in the exercise of the powers conferred by section 101 shall, in the prescribed manner and in the form of a written demand for the payment of the amount due to the bank, issue a notice upon —

- (a) the mortgagor;
- (b) any person who has any interest in or charge upon the property mortgaged or in or upon the right to redeem and said property and who has previously notified the bank in writing of such interest or charge;
- (c) any surety for the payment of the mortgage debt or any part thereof; and
- (d) any creditor of the mortgagor who has in a suit for the administration of his estate obtained a decree for sale of the mortgaged property.

*Application for sale and method of sale.*

**104.** Upon the expiry of three months from the date of service of a notice under section 103, if the sum due under the mortgage has not been paid, the

bank may, after considering any objection made within that period by any person entitled to such notice, apply to the sale officer appointed under section 102 to sell the mortgaged property or any part thereof and such officer shall, in the prescribed manner, proceed to sell such property by public auction and report the result thereof to the bank.

*Application to set aside a sale on deposit.*

**105.** When property mortgaged to a co-operative land mortgage bank has been sold under the provisions of this Chapter, the mortgagor or any person entitled to a notice under section 103 may within the prescribed period apply to the managing committee of the bank to have the sale set aside upon his depositing with the bank—

- (a) for payment to the bank, the amount specified in the proclamation of sale together with the subsequent interest and the costs, if any, incurred by the bank in bringing the property to sale; and
- (b) for payment to the purchaser as compensation, a sum equal to five per centum of the purchase money.

*Setting aside and confirmation of sales.*

**106. (1)** After the expiry of the period prescribed for making an application to have the sale set aside, the bank shall, in the prescribed manner, submit to the Registrar a report setting forth the proceedings of the Sale Officer, the result of the sale and details of any application made under section 105.

(2) Upon receipt of such report the Registrar shall—

- (a) if an application has been made under section 105 and if the amounts specified in that section have been deposited by the applicant, make an order setting aside the sale and requiring the bank to pay to the purchaser the sum deposited under clause (b) of section 105; and
- (b) if no application has been made under section 105 or an application has been made but the amount specified in that section has not been deposited by the applicant or an application has been disallowed by the bank, make an order confirming the sale.

(3) Where an order confirming a sale is made under sub-section (2), the sale shall thereupon become absolute.

*Distribution of sale-proceeds and bar to certain claims.*

**107. (1)** The Registrar shall, in making a sale absolute by an order under section 106, direct that the sale-proceeds shall be applied as follows:

- First, there shall be paid to the co-operative land mortgage bank, at the prescribed rate, all costs, charges and expenses properly incurred by the bank or the Sale Officer incidental to the sale or any attempted sale;
- Secondly, there shall be paid to the bank all interest due on account of the mortgage in consequence whereof the mortgaged property was sold;
- Thirdly, there shall be paid to the bank all sums due as principal on account of the mortgage; and
- Fourthly, the residue, if any, thereafter remaining shall be paid to the mortgagor.

(2) All payments of such residue made in accordance with sub-section (1) shall be valid and effectual against any demand relating thereto made upon the bank by the mortgagor or by any other person.

*Certificate to be issued to purchaser and to be entered by the registering officer.*

108. (1) Where a sale of mortgaged property under this Chapter has become absolute, the Registrar shall grant to the purchaser a certificate in the prescribed form specifying the property sold and the name of the person who, at the time of the sale, is declared to be the purchaser, and such certificate shall bear the date of the day on which the sale becomes absolute.

(2) Notwithstanding anything contained in <sup>1</sup>[the Registration Act], 1908, (XVI of 1908) the Registrar shall send a copy of every certificate granted under sub-section (1) to the registering officer appointed under the Act within the local limits of whose jurisdiction the whole or any part of the immovable property comprised in such certificate is situated, and such registering officer shall enter the contents of such copy in his register of non-testamentary documents relating to immovable property.

(3) The purchaser of any mortgaged property sold under this Chapter shall supply to the Registrar notices in the prescribed form for service on the landlord of such property together with such fee as may be prescribed for the service of such notices and the landlord's fee, if any, required under the Bengal Tenancy Act, 1885 and the Registrar shall thereupon, in the prescribed manner, cause such notices to be served on,

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<sup>1</sup>These words were substituted for the words "The Indian Registration Act" by East Pakistan Ordinance XXVIII of 1960, First Schedule.

and such landlord's fee to be transmitted to, the landlord named in such notices.

*Delivery of property to purchaser.*

109. Where a certificate has been issued under section 108, the Court shall, on the application of the purchaser, order delivery of possession to be made to him in the prescribed manner.

*Explanation* — In this section "Court" means the Civil Court which would have jurisdiction to entertain a suit to enforce the mortgage and within the limits of whose jurisdiction the property sold is situated.

*Right of co-operative land mortgage bank or central co-operative land mortgage bank to purchase at a sale under this Chapter.*

110. It shall be competent to a co-operative land mortgage bank or central co-operative land mortgage bank to purchase the mortgaged property sold under this Chapter, but the property so purchased shall be disposed of by such bank by sale within the period prescribed or, where a Trustee has been appointed, within such period as he may specify in accordance with the rules.

*Title purchaser not to be questioned.*

111. When a sale has been made in exercise of a power to sell under section 101 and has been confirmed under clause (b) of sub-section (2) of section 106, the title of the purchaser shall not be questioned in any Court by the mortgagor or his successor in interest.

*Power to appoint a receiver.*

112. (1) In circumstances in which the power of sale under section 101 might be exercised, the Registrar may, subject to the provisions of sub-section (2), and in accordance with the rules —

- (a) on the application of a co-operative land mortgage bank, appoint a receiver of the produce and income of the mortgaged property;
- (b) on the application of the mortgagor for due cause shown, remove a receiver so appointed; and
- (c) fill up a vacancy in the office of Receiver.

(2) The Registrar shall not appoint a receiver where the mortgaged property is already in the possession of a receiver appointed by a Court.

*Expenses, remuneration and duties of a receiver.*

**113. (1)** A receiver appointed under section 112 shall be entitled, in accordance with the rules, to receive such expenses of management and remuneration, if any, as may be determined by the Registrar in consultation with the co-operative land mortgage bank.

(2) The provisions of sub-section (8) of section 69A of the Transfer of Property Act, 1982, (IV of 1882) shall apply to a receiver appointed under section 112.

*Powers of co-operative land mortgage bank if the mortgaged property is destroyed or the security is rendered insufficient.*

**114.** Where any property mortgaged to a co-operative land mortgage bank is wholly or partially destroyed or the security is rendered insufficient and the mortgagor, after reasonable opportunity given by the bank to provide such further security as will render the whole security sufficient to repay such portion of the loan as may be determined by the bank, has failed to do so, the whole of the loan shall be deemed to fall due at once and the bank shall, subject to the rules, be entitled to take action against the mortgagor for the recovery thereof under this Chapter.

*Explanation* — A security shall be deemed to be insufficient within the meaning of this section if the value of the mortgaged property does not exceed the amount for the time being due on the mortgage by such proportion as may be specified in the rules or bye-laws.

*Power of the trustee and a central co-operative land mortgage bank to direct or take certain action.*

**115. (1)** A Trustee and, in the case of a member society, a central co-operative land mortgage bank may, in accordance with the rules, direct a co-operative land mortgage bank to take action against a defaulter under section 99, section 101 or section 114 and, if the bank neglects or fails to do so, may take such action.

(2) Where such action is taken by a Trustee or a central co-operative land mortgage bank, the provisions of this Act and of any rules or bye-laws shall apply in respect thereto as if all references to the co-operative land mortgage bank were references to the Trustee or the central co-operative land mortgage bank, as the case may be.

*Officers of co-operative land mortgage and central co-operative land mortgage banks and Sale Officers not to bid at sales.*

**116.** At any sale of movable or immovable property held under the provisions of this Chapter no officer of a co-operative land mortgage bank or central co-operative land mortgage bank (except on behalf of the bank of which he is an officer), and no Sale Officer or other person having any duty

to perform in connection with such sale, shall either directly or indirectly bid for or acquire or attempt to acquire any interest in such property.

*Notice of sale under Chapter XIV of Act VIII of 1885.*

**117.** Notwithstanding anything contained in Chapter XIV of the Bengal Tenancy Act, 1885, (VII of 1885) relating to the sale of tenures and holdings in execution of decrees for arrears of rent, no such sale held under the provisions of that Chapter shall affect the title or interest of any co-operative land mortgage bank which has, in respect of such tenure or holding, a registered and notified encumbrance within the meaning of clause (b) of section 161 of the said Act, unless a concise statement of the order of attachment and proclamation of sale has, in the prescribed manner and at the time of the issue of such proclamation, been sent by the Court by registered post to such co-operative land mortgage bank.

*Notice of sale and deposit for protection from sale, under Bengal Regulation VIII of 1819.*

**118.** Notwithstanding anything contained in the Bengal *patni taluks* Regulation, 1819 (Ben. Reg. VIII of 1819) (hereafter in this section referred to as the said Regulation) —

- (1) when a mortgage is executed in favour of a co-operative land mortgage bank in respect of any *patni taluk* to which the said Regulation applies or any tenure or holding comprised within such *patni taluk*, the co-operative land mortgage bank shall
  - (a) in such manner as may be prescribed, notify the Zamindar of the execution of such mortgage,
  - (b) for the purpose of receiving notice of the sale of such *patni taluk* or tenure as the case may be, pay to the Zamindar such fee in such manner as may be prescribed, and
  - (c) on compliance with the provisions of sub-clauses (a) and (b), be deemed to be a notified mortgagee in respect of such *patni taluk* or tenure;
- (2) before the sale is held of any such *patni taluk* or tenure under the said Regulation, the Zamindar shall, by registered post, send a notice thereof to every co-operative land mortgage bank which is, in respect of such *patni taluk* or tenure, a notified mortgagee within the meaning of sub-clause (c) of clause (1); and
- (3) any co-operative land mortgage bank which is a notified mortgagee within the meaning of sub-clause (c) of clause (1) shall be entitled to stay such sale by depositing with the

Collector the balance of the arrears of rent due in respect of such patni taluk or tenure.

*Notice of sale, and deposit for protection from sale under Act XI of 1859 or Act VII of 1868.*

**119.** Notwithstanding anything contained in the Bengal Land-revenue Sales Act, 1859, (XI of 1859) or the Bengal Land-revenue Sales Act, 1868 (VII of 1868) (hereafter in this section referred to respectively as the said Act of 1859 and the said Act of 1868) —

- (1) when a mortgage is executed in favour of a co-operative land mortgage bank in respect of any revenue-paying estate to which the said Act of 1859 applies or any tenure or holding comprised within such estate, or any revenue-paying tenure to which the said Act of 1868 applies or any tenure or holding comprised within such tenure, the co-operative land mortgage bank shall —
  - (a) in such manner as may be prescribed, notify the Collector of the execution of such mortgage,
  - (b) for the purpose of receiving notice of the sale of such estate or tenure as the case may be, pay to the Collector such fee in such manner as may be prescribed, and
  - (c) on compliance with the provisions of sub-clauses (a) and (b), be deemed to be a notified mortgagee in respect of such estate or tenure as the case may be;
- (2) before the sale is held of any such estate under the said Act of 1859, or of any such tenure under the said Act of 1868, the Collector shall, by registered post, send a notice thereof to every co-operative land mortgage bank which is, in respect of such estate or tenure as the case may be, a notified mortgagee within the meaning of sub-clause (c) of Clause (1); and
- (3) any co-operative land mortgage bank which is a notified mortgagee within the meaning of sub-clause (c) of clause (1) shall be entitled to stay such sale by depositing with the Collector the balance of the arrears of land revenue due in respect of such estate or tenure as the case may be.

*Exemption from personal attendance for registration of certain instruments.*

**120.** (1) Notwithstanding anything contained in [the Registration Act], 1908, (XVI of 1908) it shall not be necessary for a Trustee or for any officer of a co-operative land mortgage bank or central co-operative land mortgage bank to appear in person or by agent at any registration office in any

proceeding connected with the registration of any instrument executed by him in his official capacity or to sign as provided in section 58 of that Act.

(2) Where any instrument is so executed, the registering officer to whom such instrument is presented for registration may, if he thinks fit, refer to the Trustee or to such officer for any information respecting the same and on being satisfied of the execution thereof shall register the instrument.

*Power of co-operative land mortgage bank to receive moneys, etc., notwithstanding assignment or transfer of mortgaged deeds to a central co-operative land mortgage bank.*

**121.** Notwithstanding any assignment or transfer of any mortgage by a co-operative land mortgage bank to a central co-operative land mortgage bank—

(a) all moneys due under the mortgage shall, in the absence of any specific direction to the contrary issued by the Registrar or a Trustee in accordance with the rules and communicated to the mortgagor, be payable to the co-operative land mortgage bank and such payment shall be as valid as if the mortgage had not been so assigned or transferred; and

(b) the co-operative land mortgage bank shall, in the absence of any such direction communicated to it, be entitled to sue on the mortgage or take any other proceeding for the recovery of the moneys due under the mortgage.

*Mortgages executed by members of Hindu joint families.*

**122.** (1) Where a mortgage executed in favour of a co-operative land mortgage bank, whether before or after the commencement of this Act, is called in question on the ground that it was executed by the manager of a joint Hindu family for a purpose not binding on the members thereof whether major or minor, the burden of proof shall, notwithstanding anything contained in any other law for the time being in force, rest upon the party which calls such mortgage in question.

(2) For the purpose of this section the following shall be regarded as purposes binding on the members of a joint Hindu family—

(a) the improvement of agricultural land or of the methods of cultivation, and

(b) the purchase of land.



## CHAPTER XII

### Enforcement of Obligations and Recovery of Sums due.

#### *Access to documents, etc.*

**123.** The Registrar and, subject to any restrictions prescribed, an audit officer, arbitrator or any person conducting an inspection or inquiry under Chapter VIII, shall at all reasonable times, have free access to the books, accounts, documents, securities, cash and other properties belonging to or in the custody of a co-operative society.

#### *Power to enforce attendance of witness and production of documents.*

**124.** The Registrar and, subject to any restrictions prescribed, an audit officer, arbitrator or liquidator, or any person conducting an inspection or inquiry under Chapter VIII, shall, in so far as is necessary for carrying out any of the purposes of this Act, have power to summon and enforce the attendance of witnesses and parties concerned and to examine them upon oath and to compel the production of any books, accounts, documents, securities, cash and other properties by the same means and, so far as may be, in the same manner as provided in the Code of Civil Procedure, 1908. (V of 1908)

#### *Power to direct conditional attachment.*

**125. (1)** Subject to the rules, the Registrar, if it appears to him that any person or co-operative society with intent to defeat or delay the execution of any order that may be passed under Chapters IX, X, XI or XII—

- (a) is about to dispose of the whole or any part of his or its property; or
- (b) is about to remove the whole or any part of his or its property from the local limits of the jurisdiction of the Registrar,

may, unless such security is furnished as he may require, direct the conditional attachment of the said property or such part thereof as he thinks fit.

(2) Such attachment shall have the same force and effect as if it had been made by a Civil Court and shall continue in force until withdrawn or cancelled by the Registrar.

#### *Power to direct payment of dues.*

**126.** Notwithstanding anything contained in Chapter IX, the Registrar or such other person as may be prescribed may, on his own motion or on the written requisition of a co-operative society or financing bank for the recovery of any loan due by a defaulting member, after due inquiry, make an

award directing payment by such member of the amount found to be due.

*Charge and surcharge.*

127. (1) Where, as the result of an audit under section 76 or an inspection under section 82 or section 83, or an inquiry under section 84 or a report made in the course of the winding up of a co-operative society, it appears to the Registrar that any past or present officer, has at any time after the commencement of this Act and within a period of four years prior to the date of such audit, inspection, inquiry or report, as the case may be —

(a) intentionally made or authorised any payment which is contrary to the provisions of this Act or to the rules or bye-laws; or

(b) by reason of his culpable negligence in respect of any prescribed matter involved the society in any loss or deficiency; or

(c) failed to bring into account any sum which ought to have been brought into account; or

(d) misappropriated or fraudulently retained any property of the society;

the Registrar may inquire into the conduct of such officer.

(2) Upon such inquiry, after giving such officer an opportunity to be heard and, in the case of a payment made contrary to the provisions of this Act or the rules or bye-laws, after affording such officer an opportunity to recover the amount of such payment from the payee and credit it to the funds of the society, the Registrar may, subject to the rules, by an order in writing require such officer to pay such sum to the assets of the society by way of compensation in respect of such payment or loss or sum, or to restore such property as the Registrar thinks fit, and to pay such sum as the Registrar may fix to meet the cost of the proceedings under this section.

(3) This section shall apply notwithstanding that such officer may by his act or omission have incurred criminal liability under this Act or any other law for the time being in force.

*Penalty for certain misdemeanours.*

128. Where it appears to the Registrar, that any person has contravened the provisions of this Act, the rules or bye-laws—

(a) by sitting or voting as a member of a managing committee, or voting in the affairs of a co-operative society as a representative of another society which is a member of such society, or exercising the rights of a member of a co-operative society, when such person was not entitled so to sit or vote or exercise such rights, as the case may be, or

(b) by employing a loan for a purpose different from that for which it was granted.

the Registrar may, subject to the rules and after affording such person an opportunity to be heard, by an order in writing direct him to pay to the assets of the society by way of penalty such sum as the Registrar thinks fit in respect of every such contravention.

*Registrar's power to enforce performance of obligations.*

129. Notwithstanding anything contained in this Act, where any co-operative society is required to take any action under this Act, the rules or the bye-laws and such action is not taken—

- (a) within the time provided in this Act, the rules or the bye-laws; or
- (b) where no time is so provided, within such time, having regard to the nature and extent of the action to be taken, as the Registrar may specify by a notice in writing.

The Registrar may call upon any officer of the society whom, in accordance with such principles as may be prescribed, he considers to be responsible for the carrying out of his directions and, after giving such officer an opportunity to be heard, may require him to pay to the assets of the society such sum not exceeding twenty-five takas as the Registrar may think fit for each day until the Registrar's directions are carried out.

*Recovery of sums due*

130. Any sum payable to the Bangladesh Government or to a co-operative society or the authority constituted under section 81 in accordance with any order, decision or award under this Act shall be recoverable in the manner provided in the Third Schedule:

Provided that, notwithstanding anything contained in the Code of Civil Procedure, 1908, (Act of 1908) or in any other law for the time being in force, any sum payable in accordance with an award made under section 126 in respect of default in the payment of a loan taken under section 51 or of any instalment of such loan, shall be recoverable—

- (a) if the salary of the member exceeds thirty takas *per mensem*, by the attachment of such salary to the extent of the instalment in respect of which default has been made or of half the difference between such salary and thirty takas, whichever is less, and
- (b) if the salary of the member does not exceed thirty takas *per mensem*, by the attachment of such salary to the extent of the instalment in respect of which default has been made or of '[six poisha] in every taka of such salary, whichever is less.

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<sup>1</sup>The words within square brackets were substituted for the words "one anna" by East Pakistan Ordinance XXVII of 1960, section 5.

*Acts of societies, etc., not to be invalidated by certain defects.*

**131.** (1) No act of a co-operative society or managing committee or of any office or liquidator done in good faith in pursuance of the business of the society shall be deemed to be invalid by reason only of some defect subsequently discovered in the organisation of the society or in the constitution of the managing committee or in the appointment or election of the officer or liquidator or on the ground that such officer or liquidator was disqualified for his appointment.

(2) No act done in good faith by any person appointed under this Act shall be invalid merely by reason of the fact that his appointment has been cancelled by or in consequence of any order subsequently passed under this Act.

(3) The Registrar shall decide whether any act was done in good faith in pursuance of the business of a society.

### **CHAPTER XIII**

#### **Jurisdiction, Appeal and Revision.**

##### *Indemnity.*

**132.** No suit, prosecution or legal proceedings whatever shall lie against the Registrar or any person subordinate to him or acting on his authority or against a Trustee in respect of anything in good faith done or purporting to be done under this Act.

##### *Bar to jurisdiction of Courts.*

**133.** (1) Save as provided in This Act, no Civil or Revenue Court shall have any jurisdiction in respect of—

- (a) the registration of a co-operative society or its bye-laws or of an amendment of its bye-laws; or
- (b) the dissolution of a managing committee and the management of the society on dissolution thereof; or
- (c) any dispute required under section 86 to be referred to the Registrar; or
- (d) any matter concerned with the winding up and dissolution of a co-operative society.

(2) While a co-operative society is being wound up no suit of other legal proceeding relating to the business of such society shall be proceeded with or instituted against the liquidator as such or against the society or any member thereof except by leave of the Registrar and subject to such terms as he may impose.

(3) Save as provided in this Act, no order, decision or award under

this Act shall be liable to be challenged, set aside, modified, revised or declared void in any Court on any ground whatsoever except want of jurisdiction.

*Appeal.*

**134. (1)** An appeal shall lie from an order shown in column 2 of the Fourth Schedule to the authority shown in column 3 and within the period shown in column 4 thereof.

(2) Save as provided in this Act, no appeal shall lie against any order, decision or award passed in accordance with this Act, and every such order, decision or award shall be final.

*Review and revision.*

**135. (1)** The Bangladesh Government may call for and examine the record of any enquiry or inspection held or made under this Act or the proceedings of the Registrar or any person subordinate to him or acting on his authority, and may pass thereon such orders as it thinks fit.

(2) The Registrar may at any time —

- (a) revise any order passed by himself; or
- (b) call for and examine the record of any enquiry or inspection held or made under this Act or the proceedings of any person subordinate to him or acting on his authority, and if it appears to him that any decision, order or award or any proceedings so called for should for any reason be modified, annulled or reversed, may pass such orders thereon as he thinks fit;

Provided that, before any order is made under clause

- (a) e.g. clause (b), the Registrar shall afford to any person, likely to be affected adversely by such order, an opportunity of being heard.

## CHAPTER XIV

### Offences, Penalties and Procedure.

*Offences and penalties.*

**136.** Any person mentioned in column 3 of the Fifth Schedule who is guilty of an offence shown in column 2 thereof shall, notwithstanding anything contained in this Act or any other law for the time being in force, be liable on conviction to the penalty shown in column 4 thereof.

*Cognisance of offences.*

137. (1) No Court inferior to that of <sup>1</sup>\* \* \* a Magistrate of the first class shall try any offence under this Act.

(2) For the purposes of the Code of Criminal Procedure, 1898, every offence under this Act shall be deemed to be non-cognisable.

(3) No prosecution shall be instituted under this Act without the previous sanction of the Registrar.

*Presumption raised by entry in register of members, etc.*

138. Any register of members or shares kept by a co-operative society in the prescribed manner shall be prima facie evidence of any of the following particulars entered therein —

- (a) the date on which the name of any person was entered in such register or list as a member; and
- (b) the date on which any such person caused to be a member.

*Proofs of entries in society's books.*

139. (1) A copy of any entry in a book of a co-operative society, regularly kept in the course of business and in the prescribed manner, shall, if certified in the prescribed manner, be received in any suit or legal proceeding as prima facie evidence of the existence of such entry, and shall be admitted as evidence of the matters, transactions and accounts therein recorded in every case where, and to the same extent as, the original entry itself is admissible.

(2) No officer or liquidator of a co-operative society and no officer in whose office the books of a co-operative society are deposited after the society has been wound up shall, in any legal proceedings to which the society or the liquidator is not a party, be compelled to produce any of the society's books the contents of which can be proved under sub-section (1), or to appear as a witness to prove the matters, transactions and accounts therein recorded, unless specially so directed by an order of the Court or the arbitrator.

**CHAPTER XV****Rules.***Powers to make rules.*

140. (1) The Bangladesh Government may, for the whole or any part of [Bangladesh], and for any co-operative society or class of co-operative

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<sup>1</sup>These words were substituted for the word "Bengal" by East Pakistan Ordinance XXVIII of 1960, First Schedule.

societies, after previous publication, make rules to carry out the purposes of this Act.

(2) In particular and without prejudice to the generality of the foregoing power such rules may provide for all or any of the following matters, namely :—

- (i) the sums which, in addition to those referred to in clause (0) of section 2, shall be deducted from profits;
- (ii) the period which shall be a co-operative year;
- (iii) the exemption of any society or class of societies from and the extent of application to, any society or class of societies of, any of the provisions of this Act;
- (iv) the extent and manner of delegation of powers <sup>1</sup>[and duties] entrusted to the Registrar;
- (v) the conditions for registration of any co-operative society or class of societies;
- (vi) the forms to be used and the conditions to be complied with in the making of an application for the registration of a co-operative society and the procedure in the matter of such application;
- (vii) the procedure and conditions for the division of a co-operative society and amalgamation of co-operative societies;
- (viii) the extent to which a co-operative society may limit the number of its members;
- (ix) the matters in respect of which a co-operative society shall or may make bye-laws, and the procedure and conditions for amending the bye-laws;
- (x) the procedure and conditions for the exercise by the financing bank of the powers conferred by section 18;
- (xi) the procedure for calling and holding general meetings, and the powers to be exercised by such meetings;
- (xii) the circumstances in which delegates may be elected for the purposes of section 20, the manner of electing delegates for any of the purposes of this Act and the manner in which delegates so elected, shall vote;
- (xiii) the date for the closing of the annual accounts of a co-operative society;

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<sup>1</sup>The words "a Presidency Magistrate or" were omitted by East Pakistan Ordinance XXVIII of 1960, First Schedule.

- (xiv) the method of constituting the managing committee of a co-operative society (including the appointment of persons to represent appropriate interests);
- (xv) the qualifications, disqualification, term of office, suspension and removal of members of managing committees and officers of different classes of co-operative societies;
- (xvi) the procedure at meetings of the managing committee and the powers to be exercised and the duties to be performed by the managing committee and officers of a society;
- (xvii) the conditions of deputation of, and the powers to be exercised and duties to be performed by, a <sup>1</sup>[Servant of Bangladesh] deputed under section 24;
- (xviii) the procedure and conditions for the suspension or supersession of the managing committee of a co-operative society and the method of appointment and qualifications of a person appointed under section 26;
- (xix) the procedure for registering the address of a co-operative society and any change of its address;
- (xx) the minimum number of paid staff to be employed by different classes of co-operative societies and the qualifications thereof;
- (xxi) the accounts, books and registers to be kept and the returns to be submitted by a co-operative society, the form in which and the persons by whom such accounts, books and registers shall be kept and such returns submitted, the method in which such accounts, books and registers shall be kept in custody and destroyed and the charges which may be assessed and levied for the preparation of any return not submitted in accordance with the rules;
- (xxii) the documents to be kept open to inspection by a co-operative society under section 30;
- (xxiii) the manner in which the balance sheet shall be published under section 31;
- (xxiv) the conditions and terms under which, the manner in which and the extent to which funds may be raised by a co-operative society by means of shares, deposits, debentures or

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<sup>1</sup>These words within square brackets were substituted for the words "Servant of the Crown" by E.P. ACT XIII OF 1964. Formerly the words "Government Servant" were substituted for the words "Servant of the Crown" by E.P. Ord. XIII of 1962.



- otherwise, and the manner in which provision shall be made for the maintenance of fluid resource;
- (xxv) the procedure and conditions for the issue, redemption, re-issue, transfer, replacement or conversion of debentures, issued by a co-operative society;
  - (xxvi) the maximum amount of principal, the rate of interest and other conditions for the guarantee of debentures under section 33;
  - (xxvii) the procedure and conditions for varying an instrument of trust between the Trustee and a co-operative society;
  - (xxviii) the procedure whereby, and the conditions under which, guarantees or financial assistance may be given under section 33 or section 38;
  - (xxix) the payments to be made and the conditions to be complied with by members applying for loans from a co-operative society, the period for which loans may be made and the amount which may be lent to an individual member;
  - (xxx) the conditions in which and the extent to which loans may be made in relaxation of the provisions of sub-section (1) of section 39 and the determination by a society of the maximum and normal credits of its members;
  - (xxxi) the manner in which coop. societies may be given an opportunity of being heard under sub-section (2) of section 39;
  - (xxxii) the prohibition and restrictions subject to which co-operative societies may transact business with persons who are not members;
  - (xxxiii) the procedure and conditions for change of the form of liability of a co-operative society under section 43;
  - (xxxiv) in any case in which a notice or process is issued under this Act or the rules —
    - (a) the form of the notice or process;
    - (b) the period of notice to be given;
    - (c) the persons on or against whom the notice or process shall be issued; and
    - (d) the conditions to be fulfilled in order to establish proof of the service of such notice or process;

- (xxxv) the form of the written statement of claim required by section 44;
- (xxxvi) the form of application under, the form of map and statement and the manner of their publication required by, and the manner of levying water rate and embankment protection rate provided in sections 48 and 49;
- (xxxvii) the conditions in which any charge in favour of a co-operative society shall be satisfied and the extent to which and the order in which the property subject to the charge shall be used in its satisfaction;
- (xxxviii) the form of and procedure for an application under section 54 and the procedure for calling, holding and conducting a meeting under that section;
- (xxxix) the manner in which a co-operative society may invest or deposit its funds under section 55;
- (xl) the proportion which shall be annually carried under section 56 to the reserve fund from the net profits of a co-operative society, the extent to which a society may use its reserve fund in its business and the method in which the reserve fund shall be invested;
- (xli) the conditions in which, and the extent to which, the profits of a co-operative society may be distributed among its members under section 57;
- (xlii) the co-operative purposes for which a co-operative society shall under section 58 contribute a percentage of its net profits, the extent of the contribution which may be made under clause (b) of that section and the manner of making such contributions;
- (xlili) the amount or proportion of contribution which a co-operative society may make to a provident fund under section 59;
- (xliv) the conditions in which a member of a co-operative society shall be disqualified from voting under sub-section (2) of section 60;
- (xlv) the conditions to be complied with by a person applying for admission or admitted as a member of a co-operative society, the procedure for the admission, expulsion and resignation of members and the conditions for the exercise by members of the rights of membership;
- (xlvi) the manner of recalling a loan under section 63;

- (xlvii) the maximum portion of the share capital of a co-operative society which may be held by a member under section 67;
- (xlviii) the conditions for the maximum holding of member under section 68;
- (xlix) the procedure and conditions for, and the method of, nomination by a member of a transferee under section 69;
- (l) the procedure and conditions for the substitution by a society under sub-section (1) of section 70 of another person for the nominee of a deceased member and for the decision by the society to proceed under sub-section (2) of that section, and the procedure for calculating the value of the share or interest of a member or the sums due to him for the purposes of sections 70 to 74 inclusive;
- (li) the manner of determining the value of land for the purposes of clause (3) of section 72;
- (lii) the circumstances and manner in which a member may resign or be expelled from a co-operative society;
- (liii) the procedure by which a co-operative society shall calculate and write off bad debts;
- (liv) the date by which the annual audit shall be made and an audit report submitted, the procedure of an audit officer conducting an audit, the matters on which he shall submit a report, the form in which the statement of accounts shall be prepared for his audit, the limits within which he may examine the monetary transactions of the society, the form of his audit report and statement of accounts audited and the charges, if any, to be paid by a co-operative society for audit;
- (lv) the manner in which appointments shall be made and control exercised by, and the number of persons comprising, and the other functions to be performed by the authority constituted under section 81, the manner of election and nomination of such persons, the fee to be paid to such authority and the manner of such payment;
- (lvi) the conditions to be fulfilled and the qualifications to be possessed by a member of the paid-staff of a financing bank certified by the Registrar under sub-section (2) of section 82;
- (lvii) the qualifications of and method of appointing an arbitrator, the procedure to be followed in proceedings under Chapter IX and the method of calculating charges incidental to such proceedings and of enforcing decisions therein;

- (lviii) the cases in which and the conditions under which it shall be obligatory upon the Registrar to order the winding up of a co-operative society;
- (lix) the procedure for the appointment and removal of, and for the payment of a remuneration to, a liquidator, the condition of such appointment, the conditions in which the Registrar shall exercise control of a liquidator and direct him to exercise his powers under section 91, and the procedure to be followed in proceedings under Chapter X;
- (lx) the manner in which the surplus assets of a society which has been wound up shall be disposed of and its records shall be deposited;
- (lxi) the manner of effecting distraint and the procedure for the custody, preservation and sale of the property distrained (including such as is perishable), the investigation of claims of persons other than the defaulter any right or interest in the distrained property and the postponement of sale pending such investigation;
- (lxii) the qualifications and method of appointment of a Sale Officer under section 120 and the powers and functions which such a Sale Officer may exercise;
- (lxiii) in the case of a sale of immovable property under Chapter XI—
  - (a) the procedure for proclamation and conduct of the sale and the conditions in which an attempted sale may be abandoned;
  - (b) the method of calculating the expenses incidental to the sale or attempted sale;
  - (c) the procedure for the receipt, deposit and disposal of the proceeds of sale;
  - (d) the procedure for a resale if an attempted sale is abandoned or the purchase money is not deposited within the prescribed time, and the penalty to be levied against a purchaser who fails so to deposit the purchase money;
  - (e) the period within which an application to set aside a sale under section 105 shall be made;
  - (f) the procedure for the payment to the purchaser of the purchase money and compensation deposited under section 105;

- (g) the form and method of submission of a report by a co-operative land mortgage bank under sub-section (1) of section 106;
- (h) the form of sale certificate under section 108, the form of the notices to be supplied under sub-section (3) of that section, the fee payable for the service of such notices, and the manner of serving such notices on, and of transmitting landlord's fee to, the landlord named in such notices; and
- (i) the procedure for the delivery by the Court of the property purchased to the purchaser under section 109;
- (lxiv) the time within which and the procedure according to which property purchased by a co-operative land mortgage bank at a sale of immovable property under Chapter XI shall be disposed of by the bank;
- (lxv) in respect of a receiver appointed under section 112, the conditions in which he may be appointed or removed, the powers and functions which he may exercise and his procedure in the exercise thereof and the expenses of management and the remuneration which he may receive;
- (lxvi) the circumstances in which action may be taken by the bank against the mortgagor under section 114 and the proportion referred to in the explanation to that section;
- (lxvii) the procedure and conditions for the exercise of the powers conferred by section 115, and for the imposition of restriction by the Trustee or the Registrar upon a co-operative land mortgage bank under section 121;
- (lxviii) the fee payable under sections 118 and 119;
- (lxix) the procedure and conditions for the exercise of the powers conferred by sections 123 and 124;
- (lxx) the procedure for the conditional attachment of property under section 125;
- (lxxi) the persons who may make awards under section 126;
- (lxxii) the procedure and principles for the conduct of an inquiry under section 127 and the matters referred to in clause (b) of sub-section (1) thereof;
- (lxxiii) the exercise of the powers conferred by section 128;
- (lxiv) the procedure and principles for the exercise of the powers conferred by section 129;

- (lxxv) in the case of appeals lying to the Bangladesh Government, the authority to which the power of hearing appeals may be delegated;
- (lxxvi) the method of certification of any document under section 139, the procedure and conditions for obtaining copies of documents and the charges to be levied for the supply of certified or uncertified copies;
- (lxxvii) the procedure and conditions for inspecting documents in the office of the Registrar and the charges, if any, to be levied for such inspection;
- (lxxviii) the procedure for and method of calculating any costs, charges or expenses required to be levied under this Act or the rules;
- (lxxix) the procedure for and method of recovery of any sums due under this Act or the rules;
- (lxxx) the method of communicating or publishing any order, decision or award required to be communicated or published under this Act or the rules.

(3) in making any rule under this Act the Bangladesh Government may direct that any person committing a breach thereof shall on conviction by a Court be punishable with fine which may extend to fifty takas and, where the breach is a continuing one, with further fine which may extend to ten takas for every day after the first during which the breach continues subsequent to such conviction.

*Repeal and savings.*

(4) Notwithstanding such repeal, anything done or any action taken, including any order made or direction given under the Co-operative Societies Act, 1940 (Bengal Act, XXI of 1940), as amended by the said ordinance shall be deemed to have been done, taken, made or given, as the case may be under the said Act, as amended by this Act.<sup>1</sup>

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<sup>1</sup>Co-operative Societies (Amendment) Ordinance, 1974 (Ordi, XI of 1974), is hereby repealed.

## FIRST SCHEDULE

### *Enactments Repealed.*

*(Repealed by the Bengal Repealing and Amending Act, 1946  
(Ben. Act XVI of 1946))*

## SECOND SCHEDULE

### *Powers exclusively exercisable by the Registrar*

*(See Section 10.)*

Serial 1	Section 2	Powers 3
1.	18	... To register an amendment of a bye-law of a co-operative society which is a member of a financing bank, if the financing bank considers such amendment to be necessary or desirable and if the society has failed to make the amendment when called upon by the bank to do so.
2.	43(1)	... To approve a change in the form of liability of a co-operative society.
3.	56(4)(c)	... To approve the bank, other than a Government Saving Bank in which the reserve fund of a co-operative society may be invested or deposited.
4.	127(2)	... To require of any person who has taken part in the organization or management of a co-operative society or any past or present officer of such society, to contribute to the assets of the society any sum by way of compensation for any payment made, loss incurred or sum not accounted for in consequence of the action of such person or officer, or to restore any property misappropriated or fraudulently retained by such person or officer, and to require such person or officer to pay any sum to meet the costs of proceedings under this section.
5.	128	... To impose penalties for certain contraventions of the provisions of this Act, the rules or bye-laws.
6.	129	... To enforce performance of certain obligations by a co-operative society, and to require the officer of the society whom the Registrar considers to be responsible for default to pay a certain sum to the assets of the society.
7.	133(2)	... To give leave and impose terms for the institution of a suit or other legal proceeding against a liquidator, a co-operative society or any member thereof while such society is being wound up.
8.	137(3)	... To sanction the institution of any prosecution under this Act.

### THIRD SCHEDULE

#### Recovery of sums due.

(See Section 130)

Serial 1	Nature of sum due 2	Method of recovery. 3
1.	Expenses incurred in writing up the accounts of a society under section 77; and sums awarded under section 129.	By the <sup>1</sup> [Certificate Officer] as a public demand <sup>2</sup> [under the Bengal Public Demands Recovery Act, 1913 (Ben. Act III of 1913)] upon requisition by the Registrar or, in the case of section 77, with his approval, by the audit officer.
2.	Costs of an inquiry or inspection apportioned under section 85; recovery of dues awarded under section 126; contributions by way of compensation awarded under section 127 and sums awarded under section 128.	By the <sup>1</sup> [Certificate Officer] as a public demand <sup>2</sup> [under the Bengal Public Demands Recovery Act, 1913 (Ben. Act III of 1913)] upon requisition by the Registrar.
3.	Sums awarded to a co-operative society by any order made under section 87 or by an award having the effect of a final mortgage decree under section 88.	By the <sup>1</sup> [Certificate Officer] as a public demand <sup>2</sup> [under the Bengal Public Demands Recovery Act, 1913 (Ben. Act III of 1913)] upon requisition by the society; or: By any Civil Court having local jurisdiction, in the same manner as a decree of such court, upon application by the society.
4.	Sums assessed by a liquidator as contributions under section 91.	By the <sup>1</sup> [Certificate Officer] as a public demand <sup>2</sup> [under the Bengal Public Demands Recovery Act, 1913 (Ben. Act III of 1913)] upon requisition by the Registrar or by the liquidator.
5.	Sums due under any rule made under this Act.	In the manner prescribed.

<sup>1</sup>These words were substituted for the word "Collector" by section 2(1) of the Bengal Cooperative Societies (East Bengal Amendment) Act, 1949 (East Bengal Act III of 1949).

<sup>2</sup>These words were inserted by section 2(2), *ibid.*



## FOURTH SCHEDULE

### Appeals

(See Section 134)

Sl. No.	Order appealable	By whom the appeal may be preferred; and authority to which appeal lies	Period of limitation
1	2	3	4
1.	An order refusing to register a co-operative society under section 15 or an amendment of a bye-law under section 17.	By any member of the society - (a) if passed by the Registrar, to the Bangladesh Government (b) if passed by the Joint Registrar, to the Registrar; (c) if passed by the Deputy Registrar, to the Joint Registrar; (d) if passed by the Asstt. Registrar, to the Deputy Registrar.	Two months from the date on which the order is communicated to the society.
2.	An order refusing to register an amendment under section 18.	By the financing bank, to the Bangladesh Government.	Two months from the date on which the order is communicated to the financing Bank.
3.	An order dissolving a managing committee or an order of disqualification under section 25.	By any member of the managing committee— (a) if passed by the Registrar, to the Bangladesh Government; (b) if passed by the Joint Registrar, to the Registrar; (c) if passed by the Dy. Registrar, to the Joint Registrar; or (d) if passed by the Assistant Registrar, to the Deputy Registrar.	Two months from the date on which the order is communicated to the society.
4.	An entry nor omission from the map or the statement of irrigable area prepared under section 48 or of protected area prepared under section 49.	By any person aggrieved, to the Collector.	One month from the date of publication of the statement.
5.	Assessment of water rate under section 48 or of employment protection rate under section 49.	By any person aggrieved— (a) to the Registrar, if assessed by Joint Registrar; (b) to the Joint Registrar, if assessed by Deputy Registrar; (c) to the Deputy Registrar, if assessed by Assistant Registrar.	One month from the date of assessment.

<sup>1</sup>This new Schedule was substituted for the former Schedule by East Pakistan Act XVIII of 1964, section 34.

1	2	3	4
6.	An order under section 85 apportioning costs.	By any person aggrieved, to the District Judge.	One month from the date on which the order was communicated to the person aggrieved.
7.	Any order, decision or award of the Registrar or an arbitrator under section 87 or 88.	By any person aggrieved— (a) if passed by the Registrar, to the Bangladesh Government; (b) if passed by Joint Registrar, to the Registrar; (c) if passed by the Dy. Registrar, to the Joint Registrar; (d) if passed by the Assistant Registrar, to the Deputy Registrar; or (e) if passed by any other person, to the Assistant Registrar.	One month from the date on which the order, decision or award was communicated to the person aggrieved
8.	An order passed under section 89 for the winding up of a society.	By any member of the society— (a) if passed by the Registrar, to the Bangladesh Government; (b) if passed by the joint Registrar, to the Registrar; (c) if passed by the Deputy Registrar, to the Joint Registrar; or (d) if passed by the Assistant Registrar, to the Deputy Registrar.	Two months from the date on which the order was communicated to the society.
9.	Any order, decision or award of a liquidator under section 91.	By any person aggrieved— (a) to the Registrar, if passed by the Joint Registrar; (b) to the Joint Registrar, if passed by the Deputy Registrar; (c) to the Deputy Registrar, if passed by the Asstt. Registrar; (d) to the Assistant Registrar, if passed by any any other person.	Two months from the date on which the order decision or award was communicated to the person aggrieved.
10.	An order passed under section 127 or section 129.	By any person aggrieved, to the District judge.	Three months from the date on which the order was communicated to the person aggrieved.
11.	Any order or decision declared by rules under this Act to be appealable.	By the person declared by the rules to be competent to appeal to the prescribed authority.	The period prescribed.

**FIFTH SCHEDULE**  
*Offences and Penalties*  
 (See Section 136)

Sl. No.	Offences	Person liable	Penalty
1	2	3	4
1.	Unauthorised use of the word "co-operative" in any name or title under which business is carried on in contravention of section 7.	The company, society or person carrying on business under a name or title in which the word is thus used.	Fine which may extend to fifty takas; and in the case of a continuing offence a further fine of five takas for each day on which the offence is continued after conviction therefor.
2.	Wilful neglect or refusal by any person to do any act, make any return or furnish any information required to be done, made or furnished under this Act or the rules.	The person neglecting or refusing to do the act, make the return or furnish the information.	Fine which may extend to fifty takas; and in the case of a continuing offence a further fine of five takas for each day on which the offence is continued after conviction therefor.
3.	wilfully making a false return of furnishing false information required to be made or furnished under this Act or the rules.	The person wilfully making the false return or furnishing the false information.	Fine which may extend to one hundred takas.
4.	Removing or otherwise disposing of or suffering to be removed or otherwise disposed of any property on which a co-operative society holds a first charge under Section 47 with intent to defraud the society or with such intent doing any other act to the prejudice of the society's first charge.	The person by whom or on whose behalf the property is removed or disposed of or the act done.	Fine which may extend to two hundred takas.
5.	Any act or omission declared by the rules to be an offence.	The person rendered liable by the rules.	The penalty provided in the rules.

**MINISTRY OF LAW AND PARLIAMENT AFFAIRS  
NOTIFICATION**

**Dacca, the 6th September, 1976.**

No. 890-Pub. —The following Martial Law Regulation made by the President and Chief Martial Law Administrator of the People's Republic of Bangladesh, on the 6th September, 1976, is hereby published for general information.

**THE CO-OPERATIVE SOCIETY  
(SPECIAL PROVISION) REGULATION, 1976.  
Martial Law Regulation No. XXVIII of 1976.**

WHEREAS it is expedient to make a Martial Law Regulation for the purposes hereinafter appearing;

Now, THEREFORE, in pursuance of the proclamations of the 20th August, 1975, and 8th November, 1975, and in exercise of all powers enabling him in that behalf, the Chief Martial Law Administrator is pleased to make the following Regulation:

1. Short title—This Regulation may be called the Co-operative Societies (Special Provision) Regulation, 1976.

2. Supersession of Managing Committees of Co-operative Societies, etc.—

(1) Notwithstanding anything contained in the Co-operative Societies Act, 1940 (Beng. Act XXI of 1940), or in any other law for the time being in force, or in any bye-laws of a Co-operative Society, the Government may, if it is of the opinion that it is necessary in the public interest so to do, by order,—

(a) supersede the Managing Committee of a Co-operative Society for such period as may be specified in the order.

(b) remove from office any office-bearer or member of the Managing Committee of a Co-operative Society and appoint any other person to act as such office-bearer or member until a new office-bearer or member is elected in accordance with law:

(2) When an order of supersession has been made under subparagraph (1),—

(a) all office-bearers and members of the Managing Committee shall cease to hold, and vacate, their offices;

(b) all functions of the Managing Committee shall, during the period of supersession, be performed by such person or Committee as the Government may appoint in this behalf.

(3) A person or Committee appointed by the Government under clause (b) of sub-paragraph (2) shall, on the direction of the Government, before the expiry of the period of supersession take necessary steps to reconstitute the Managing Committee in accordance with the said Act and the rules made thereunder and the bye-laws of the Co-operative Society so that the reconstituted Committee may function on such expiry.

3. Jurisdiction of Court barred.—No court shall enquire into or question the validity of any order made or action taken under this Regulation.

SD/- ABU SADAT MOHAMMAD SAYEM  
President  
and

Chief Martial Law Administrator.

DACCA;  
The 6th September, 1976.



**INDIA**

**THE MULTI-STATE CO-OPERATIVE  
SOCIETIES ACT, 1984**

No. 51 OF 1984

[18th August, 1984.]

An Act to consolidate and amend the law relating to co-operative societies with objects not confined to one State and serving the interests of members in more than one State.

Be it enacted by Parliament in the Thirty-fifth Year of the Republic of India as follows:—

**CHAPTER I**

**Preliminary**

*Short title, extent and commencement.*

1. (1) This Act may be called the Multi-State Co-operative Societies Act, 1984.

(2) It extends to the whole of India.

(3) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

*Application.*

2. This Act shall apply to —

(a) all co-operative societies, with objects not confined to one State, which were incorporated before the commencement of this Act.

(i) under the Co-operative Societies Act, 1912, (2 of 1912)  
or

(ii) under any other law relating to co-operative societies in force in any State or in pursuance of the Multi-unit Co-operative Societies Act, 1942 (6 of 1942)

and the registration of which has not been cancelled before such commencement; and

(b) all multi-State co-operative societies.

*Definitions.*

3. In this Act, unless the context otherwise requires,—

(a) "board" means the board of directors or the governing body of a multi-State co-operative society by whatever name called, to which the direction and control of the management of the affairs of the society is entrusted;

(b) "bye-laws" means the bye-laws for the time being in force which have been duly registered under this Act and includes amendments thereto which have been duly registered under this Act;

(c) "Central Registrar" means the Central Registrar of Co-operative Societies appointed under sub-section (1) of section 4 and includes any officer empowered to exercise the powers of the Central Registrar under sub-section (2) of that section;

(d) "Chief Executive" means a Chief Executive of a multi-State co-operative society appointed under section 44;

(e) "co-operative bank" means a multi-State co-operative society which undertakes banking business;

(f) "co-operative principles" means the co-operative principles specified in the First Schedule;

(g) "co-operative society" means a society registered or deemed to be registered under any law relating to co-operative societies for the time being in force in any State;

(h) "co-operative year", in relation to any multi-State co-operative society or class of such societies, means the year ending on the 30th day of June and where the accounts of such society or class of such societies are, with the previous sanction of the Central Registrar, balanced on any other day, the year ending on such day;

(i) "Deposit Insurance Corporation" means the Deposit Insurance and Credit Guarantee Corporation established under section 3 of the Deposit Insurance Corporation Act, 1961 (47 of 1961);

(j) "member" means a person joining in the application for the registration of a multi-State co-operative society and includes a person admitted to membership after such registration in accordance with the provisions of this Act, the rules and the bye-laws;

(k) "multi-State co-operative society" means a society registered or deemed to be registered under this Act and includes a national co-



operative society;

(l) "multi-State co-operative society with limited liability" means a society having the liability of its members limited by its bye-laws to the amount, if any, unpaid on the shares respectively, held by them or to such amount as they may, respectively, thereby undertake to contribute to the assets of the society, in the event of its being wound up;

(m) "national co-operative society" means a multi-State co-operative society specified in the Second Schedule;

(n) "notification" means a notification published in the Official Gazette;

(o) "officer" means a president, vice-president, chairman, vice-chairman, managing director, secretary, manager, member of a board, treasurer, liquidator, an administrator appointed under section 48 and includes any other person empowered under this Act or the rules or the bye-laws to give directions in regard to the business of a multi-State co-operative society;

(p) "prescribed" means prescribed by rules;

(q) "Reserve Bank" means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934 (2 of 1934);

(r) "rules" means the rules made under this Act.

## CHAPTER II

### Central Registrar and Registration of Societies

#### *Central Registrar*

4. (1) The Central Government may appoint a person to be the Central Registrar of Co-operative Societies and may appoint such other persons as it may think fit to assist the Central Registrar.

(2) The Central Government may, by notification, direct that any power exercisable by the Central Registrar under this Act (other than the power of registration of a multi-State co-operative society) shall in relation to such society, and such matters as may be specified in the notification be exercisable also by any other officer of the Central Government or of a State Government as may be authorised by the Central Government subject to such conditions as may be specified therein:

Provided that no officer of a State Government shall be empowered to exercise such power in relation to a national co-operative society:

Provided further that no officer of a State Government below the rank of the Registrar of Co-operative Societies shall be empowered to exercise any power exercisable by the Central Registrar under section 87.

*Multi-State co-operative societies which may be registered.*

5. (1) No multi-State co-operative society shall be registered under this Act, unless the main objects of the society are to serve the interests of members in more than one State.

(2) Subject to the provisions of sub-section (1), a multi-State co-operative society, which has as its objects the promotion of the economic and social betterment of its members through mutual aid in accordance with the co-operative principles or a multi-State co-operative society established with the object of facilitating the operations of other such societies or of co-operative societies or of both may be registered under this Act.

(3) The word "Limited" or its equivalent in any Indian language shall be suffixed to the name of every multi-State co-operative society registered under this Act with limited liability.

*Application for registration.*

6. (1) For the purposes of registration of a multi-State co-operative society under this Act, an application shall be made to the Central Registrar in such form and with such particulars as may be prescribed.

(2) The application shall be signed —

(a) in the case of a multi-State co-operative society of which all the members are individuals, by at least fifty persons from each of the States concerned;

(b) in the case of a multi-State co-operative society of which the members are co-operative societies, by duly authorised representatives on behalf of at least two such societies as are not registered in the same State; and

(c) in the case of a multi-State co-operative society of which another multi-State co-operative society and other co-operative societies are members, by duly authorised representatives of each of such societies

Provided that not less than two of the co-operative societies referred to in clause (b) or clause (c), as the case may be, shall be such as are not registered in the same State.

(3) The application shall be accompanied by four copies of the

proposed bye-laws of the multi-State co-operative society and the persons by whom or on whose behalf such application is made shall furnish such information in regard to the society as the Central Registrar may require.

*Registration.*

7. (1) If the Central Registrar is satisfied —

(a) that the application complies with the provisions of this Act and the rules;

(b) that the proposed multi-State co-operative society satisfies the basic criterion that its objects are to serve the interests of members in more than one State;

(c) that there is no other multi-State co-operative society having similar area of operation and identical objects;

(d) that the proposed bye-laws are not contrary to the provisions of this Act and the rules; and

(e) that the proposed multi-State co-operative society has reasonable prospects of becoming a viable unit;

he may register the multi-State co-operative society and its bye-laws.

(2) Where the Central Registrar refuses to register a multi-State co-operative society, he shall communicate the order of refusal together with the reasons therefor, to such number of the applicants and in such manner as may be prescribed.

(3) The application for registration shall be disposed of by the Central Registrar within a period of six months from the date of receipt thereof by him:

Provided that if the Central Registrar is unable to dispose of the application within the period aforesaid, he shall make a report to the Central Government stating therein the reasons for his inability to do so, and the Central Government may allow him such further period or periods as is considered necessary to dispose of such application.

*Registration certificate*

8. Where a multi-State co-operative society is registered under this Act, the Central Registrar shall issue a certificate of registration signed by him, which shall be conclusive evidence that the society therein mentioned is duly registered under this Act, unless it is proved that the registration of the society has been cancelled.

*Amendment of bye-laws of a multi-State co-operative society*

9. (1) No amendment of any bye-laws of a multi-State co-operative society shall be valid, unless such amendment has been registered under this Act.

(2) Every proposal for such amendment shall be forwarded to the Central Registrar and if the Central Registrar is satisfied that the proposed amendment —

(a) is not contrary to the provisions of this Act or of the rules;

(b) does not conflict with co-operative principles; and

(c) will promote the economic interests of the members of the multi-State co-operative society.

he may register the amendment within a period of six months from the date of receipt thereof by him:

Provided that if the Central Registrar is unable to register the amendment within the period aforesaid he shall make a report to the Central Government stating therein the reasons for his inability to do so, and the Central Government may allow him such further period or periods as is considered necessary to register the amendment.

(3) The Central Registrar shall forward to the multi-State co-operative society a copy of the registered amendment together with a certificate signed by him and such certificate shall be conclusive evidence that the amendment has been duly registered.

(4) Where the Central Registrar refuses to register an amendment of the bye-laws of a multi-State co-operative society, he shall communicate the order of refusal together with the reasons therefor to the Chief Executive of the society in the manner prescribed within seven days from the date of such refusal.

*When amendment of bye-laws comes into force*

10. An amendment of the bye-laws of a multi-State co-operative society shall, unless it is expressed to come into operation on a particular day, come into force on the day on which it is registered.

*Change of name*

11. (1) A multi-State co-operative society may, by an amendment of its bye-laws change its name but such change shall not affect any right or obligation of the multi-State co-operative society or of any of its members or past members, and any legal proceedings which might have been continued

or commenced by or against the multi-State co-operative society by its former name may be continued or commenced by or against its new name.

(2) Where a multi-State co-operative society changes its name, the Central Registrar shall enter the new name on the register of multi-State co-operative societies in place of the former name and shall amend the certificate of registration accordingly.

#### *Change of address*

12. Every multi-State co-operative society shall have a principal place of business and an address registered in the manner prescribed to which all notices and communications may be sent and any change in the principal place of business of a multi-State co-operative society shall be made with the previous approval of the Central Registrar.

#### *Liability*

13. (1) No multi-State co-operative society with unlimited liability shall be registered after the commencement of this Act:

Provided that where a multi-unit co-operative society with unlimited liability was functioning before the commencement of this Act, such a society shall exercise the option within a period of one year from such commencement either to continue to function as such or to convert itself into a multi-State co-operative society with limited liability by following the procedure specified in sub-sections (2) to (4).

(2) Subject to the provisions of this Act and the rules, a multi-unit co-operative society may, by an amendment of its bye-laws, change the extent of its liability.

(3) When a multi-unit co-operative society has passed a resolution to change the extent of its liability, it shall give notice thereof in writing to all its members and creditors, and, notwithstanding anything contained in the bye-laws or contract to the contrary, any member or creditor shall, during the period of one month from the date of service of the notice upon him, have the option of withdrawing his shares, deposits or loans, as the case may be.

(4) Any member or creditor who does not exercise his option within the period specified in sub-section (3) shall be deemed to have assented to the change.

(5) An amendment of a bye-law of a multi-unit co-operative society changing the extent of its liability shall not be registered or shall not take effect until either—

(a) the assent thereto of all members and creditors has been obtained; or

(b) all claims of members and creditors who exercise the option referred to in sub-section (3) within the period specified therein have been met in full or otherwise satisfied.

*Amalgamation or transfer of assets and liabilities, or division of multi-State co-operative societies*

14. (1) A multi-State co-operative society may, with the prior consultation of the Central Registrar and by a resolution passed by a majority of not less than two-thirds of the members present and voting at a general meeting of the society held for the purpose —

(a) transfer its assets and liabilities in whole or in part to any other multi-State co-operative society or co-operative society;

(b) divide itself into two or more multi-State co-operative societies;

(c) divide itself into two or more co-operative societies.

(2) Any two or more multi-State co-operative societies may, with the prior consultation of the Central Registrar and by a resolution passed by a majority of not less than two-thirds of the members present and voting at a general meeting of each such society, amalgamate themselves and form a new multi-State co-operative society.

(3) The resolution of a multi-State co-operative society under sub-section (1) or sub-section (2) shall contain all particulars of the transfer or division or amalgamation, as the case may be:

Provided that in the case of a co-operative bank, the Central Registrar shall not accord approval to any such resolution without the previous sanction in writing of the Reserve Bank.

(4) When a multi-State co-operative society has passed a resolution under sub-section (1) or sub-section (2), it shall give notice thereof in writing to all the members and creditors and, notwithstanding anything contained in the bye-laws or contract to the contrary, any member or creditor, shall, during the period of one month of the date of service of the notice upon him, have the option of withdrawing his shares, deposits or loans, as the case may be.

(5) Any member or creditor who does not exercise his option within the period specified in sub-section (4) shall be deemed to have assented to the proposals contained in the resolution.

(6) (a) A resolution passed by a multi-State co-operative society under this section shall not take effect until the assent thereto of all the members and creditors has been obtained.

(b) The multi-State co-operative society shall make arrangements for meeting in full or otherwise satisfying all claims of the members and creditors who exercise the option within the period specified in sub-section (4).

(7) On receipt of an application for the registration of new societies formed by division in accordance with the resolution passed under sub-section (1) or of a new society formed by amalgamation in accordance with the resolution passed under sub-section (2), the Central Registrar, on being satisfied that the resolution has become effective under sub-section (6) shall, unless for reasons to be recorded in writing he thinks fit to refuse so to do, register the new societies or society, as the case may be, and the by-laws thereof.

(8) On the issue of an order under sub-section (7), the provisions of section 17 shall, so far as may be, apply to the multi-State co-operative society so divided or the multi-State co-operative societies so amalgamated.

(9) Where a resolution passed by a multi-State co-operative society under this section involves the transfer of any assets and liabilities, the resolution shall, notwithstanding anything contained in any other law for the time being in force, be a sufficient conveyance to vest the assets and liabilities in the transferee without any further assurance.

*Central Registrar to prepare scheme of amalgamation or reorganisation of co-operative banks in certain cases*

15. When an order of moratorium has been made by the Central Government under sub-section (2) of section 45 of the Banking Regulation Act, 1949 (10 of 1949) in respect of a co-operative bank, the Central Registrar, with the previous approval of the Reserve Bank in writing, may, during the period of moratorium, prepare a scheme—

(a) for the amalgamation of the co-operative bank with any other co-operative bank; or

(b) for the reorganisation of the co-operative bank.

*Liability of a co-operative bank to the Deposit Insurance and Credit Guarantee Corporation*

16. Notwithstanding anything contained in section 14 or any other provision of this Act, where a co-operative bank, being an insured bank

within the meaning of the Deposit Insurance and Credit Guarantee Corporation Act, 1961 (47 of 1961) is amalgamated or reorganised and the Deposit Insurance Corporation has become liable to pay to the depositors of the insured bank under sub-section (2) of section 16 of that Act, the bank with which such insured bank is amalgamated, or the new co-operative bank formed after such amalgamation, or, as the case may be, the insured bank or transferee bank shall be under an obligation to repay to the Deposit Insurance Corporation in the circumstances, to the extent and in the manner referred to in section 21 of the Deposit Insurance and Credit Guarantee Corporation Act, 1961.

*Cancellation of registration certificate of multi-State co-operative societies in certain cases.*

17. (1) Where the whole of the assets and liabilities of a multi-State co-operative society are transferred to another multi-State co-operative society or to a co-operative society in accordance with the provisions of section 14, the registration of the first-mentioned multi-State co-operative society shall stand cancelled and the society shall be deemed to have been dissolved and shall cease to exist as a corporate body.

(2) Where two or more multi-State co-operative societies are amalgamated into a new multi-State co-operative society in accordance with the provisions of section 14, the registration of each of the amalgamating societies shall stand cancelled on the registration of the new society, and each of the amalgamating societies shall be deemed to have been dissolved and shall cease to exist as a corporate body.

(3) Where a multi-State co-operative society divides itself into two or more multi-State co-operative societies or two or more co-operative societies in accordance with the provisions of section 14, the registration of that society shall stand cancelled on the registration of the new societies, and that society shall be deemed to have been dissolved and shall cease to exist as a corporate body.

(4) The amalgamation or division of multi-State co-operative societies shall not in any manner whatsoever affect any right or obligation of the resulting multi-State co-operative society or societies or render defective any legal proceedings by or against the multi-State co-operative society or societies, and any legal proceedings that might have been continued or commenced by or against the multi-State co-operative society or societies, as the case may be, before the amalgamation or division may be continued or commenced by or against the resulting multi-State co-operative society or societies.



*Conversion of co-operative society into multi-State co-operative society.*

18. (1) A co-operative society may, by an amendment of its bye-laws, extend its jurisdiction and convert itself into a multi-State Co-operative Society :

Provided that no such amendment of bye-laws of a co-operative society shall be valid unless it has been registered by the Central Registrar.

(2) (a) Every proposal for such amendment shall be forwarded to the Central Registrar.

(b) If the Central Registrar, after consulting the Registrars of Co-operative Societies of the States concerned, has satisfied himself that such amendment fulfils the requirement of sub-section (2) of section 9, he may register the amendment within a period of six months from the date of receipt thereof by him:

Provided that if the Central Registrar is unable to register the amendment within the period aforesaid, he shall make a report to the Central Government stating therein the reasons for his inability to do so, and the Central Government may allow him such further period or periods as is considered necessary to register the amendment.

(3) The Central Registrar shall forward to the co-operative society a copy of the registered amendment together with a certificate signed by him and such certificate shall be conclusive evidence that the amendment has been registered.

(4) Where the Central registrar refuses to register an amendment of the bye-laws of a co-operative society, he shall communicate the order of refusal together with the reasons therefor to the society in the manner prescribed within seven days from the date of refusal.

(5) (a) Once the amendment of bye-laws has been registered by the Central Registrar, the co-operative society shall, as from the date of registration of amendment, become a multi-State co-operative society.

(b) The Central Registrar shall forward to the co-operative society a certificate signed by him to the effect that such society has been registered as a multi-State co-operative society under this Act and also forward a copy of the same to the Registrar of Co-operative Societies of the State concerned.

(c) The Registrar of Co-operative Societies referred to in clause (b) shall thereupon make an order directing that the society had, as from the date of registration by the Central Registrar, ceased to be a society under the law relating to co-operative societies in force in that State.

**CHAPTER III**  
**Members of Multi-State Co-operative Societies and**  
**their Rights and Liabilities**

*Persons who may become members.*

19. (1) No person shall be admitted as member of a multi-State co-operative society except the following, namely :—

(a) an individual competent to contract under section 11 of the Indian Contract Act, 1872 (9 of 1872);

(b) any multi-State co-operative society or any co-operative society;

(c) the Central Government;

(d) a State Government;

(e) the National Co-operative Development Corporation established under the National Co-operative Development Corporation Act, 1962 (26 of 1962);

(f) any other corporation owned or controlled by Government;

(g) any Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956) ;

(h) such class or classes of persons or association of persons as may be permitted by the Central Registrar having regard to the nature and activities of a multi-State co-operative society.

(2) Such number of individuals possessing such qualifications as may be prescribed may be admitted as members of the National Co-operative Union of India Limited, New Delhi.

(3) Save as otherwise provided in sub-section (2) and notwithstanding anything contained in sub-section (1), no individual shall be eligible for admission as a member of a national co-operative society.

(4) Any person eligible for membership of a multi-State co-operative society may, on his application, be admitted as a member by such society.

(5) Every application for admission as a member of a multi-State co-operative society shall be disposed of by such society within a period of four months from the date of receipt of the application, and the decision of such society on the application shall be communicated to the applicant within fifteen days from the date of such decision:

Provided that if the application is not disposed of within the period aforesaid, or the decision is not communicated within a period of fifteen days of the expiry of the aforesaid period of four months, the multi-State co-operative society shall be deemed to have made a decision, on the date of expiry of such period, refusing admission to the applicant.

(6) Notwithstanding anything contained in this section, the Central Government may, having regard to the fact that the interest of any person or class of persons conflicts or is likely to conflict with the objects of any multi-State co-operative society or class of multi-State co-operative societies, by general or special order published in the Official Gazette, declare that any person or class of persons engaged in or carrying on any profession, business or employment shall be disqualified from being admitted, or for continuing, as members or shall be eligible for membership only to a limited extent of any specified multi-State co-operative society or class of multi-State co-operative societies, so long as such person or persons is or are engaged in or carrying on that profession, business or employment, as the case may be.

*Members not to exercise rights till due payment made.*

20. No member of a multi-State co-operative society shall exercise the rights of a member, unless he has made such payments to the society in respect of membership, or has acquired such interest in the society, as may be specified in the bye-laws.

*Expulsion of members.*

21. (1) A multi-State co-operative society may, by resolution passed by a majority of not less than two-thirds of the members present and voting at a general meeting of members held for the purpose, expel a member for acts which are detrimental to the proper working of the society:

Provided that the member concerned shall not be expelled unless he has been given a reasonable opportunity of making representation in the matter.

(2) No member of the multi-State co-operative society who has been expelled under sub-section (1) shall be eligible for re-admission as a member of that society, for a period of three years from the date of such expulsion:

Provided that the Central Registrar may, on application of the multi-State co-operative society and if satisfied that in the special circumstances of the case, it is necessary so to do in the interests of the multi-State co-operative society, sanction the re-admission or admission within the said

period, of any such member as a member of the said society.

*Votes of Members*

22. Every member of a multi-State co-operative society, including a member who is an employee of such society, shall have one vote in the affairs of the society:

Provided that —

(a) a member who is an employee of such society shall not be entitled to vote—

(i) at an election of a member of the board of such society ;

(ii) in any general meeting convened for framing the bye-laws of such society or any amendments thereto;

(b) in the case of an equality of votes, the Chairman shall have a second or casting vote;

(c) where any of the authorities referred to in clauses (c) to (g) of sub-section (1) of section 19 is a member of a multi-State co-operative society, each person nominated by such authority, on the board, in accordance with the provisions contained in this Act and the rules, shall have one vote;

(d) a multi-State co-operative society, the members of which include co-operative societies or other multi-State co-operative societies, may provide for an equitable system of voting having regard to the membership of, and the extent of business carried on by such co-operative societies, or multi-State co-operative societies and other relevant circumstances.

*Manner of exercising vote.*

23. Every member of a multi-State co-operative society shall exercise his vote in person and no member shall be permitted to vote by proxy:

Provided that a multi-State co-operative society or a co-operative society which is a member of another multi-State co-operative society, may, subject to the provisions of sub-section (3) of section 29 and the rules, appoint its representative to vote on its behalf in the affairs of that other society.

*Restrictions on holding of shares.*

24. No member, other than any of the authorities referred to in clauses (c) to (g) of sub-section (1) of section 19 or a multi-State co-operative society

or a co-operative society, shall hold more than such portion of the total share capital of the society (in no case exceeding one-fifth thereof) as may be prescribed:

Provided that the Central Government may, by notification, specify in respect of any class of societies a higher or lower maximum than one-fifth of the share capital.

*Restrictions on transfer of shares or interest.*

25. The transfer of the share or interest of a member in the capital of a multi-State co-operative society shall be subject to such conditions as to maximum holding as are specified in section 24.

*Redemption of shares.*

26. Shares held in a multi-State co-operative society by any of the authorities referred to in clauses (c) to (g) of sub-section (1) of section 19 shall be redeemable in accordance with the bye-laws of such multi-State co-operative society and in a case where the bye-laws do not contain any provision in this regard, in such manner as may be agreed upon between the multi-State co-operative society and such authority.

*Transfer of interest on death of members*

27. (1) On the death of a member, a multi-State co-operative society may transfer the share or interest of the deceased member to the person nominated in accordance with the rules made in this behalf, or, if there is no person so nominated, to such person as may appear to the board to be the heir or legal representative of the deceased member, or pay to such nominee, heir or legal representative, as the case may be, a sum representing the value of such member's share or interest as ascertained in accordance with the rules:

Provided that no such transfer or payment shall be made except with the consent of the nominee, heir or legal representative, as the case may be.

(2) A multi-State co-operative society shall, unless within six months of the death of the member prevented by an order of a competent court, pay to such nominee, heir or legal representative, as the case may be, all other moneys due to the deceased member from the society.

(3) All transfers and payments made by a multi-State co-operative society in accordance with the provisions of this section shall be valid and effectual against any demand made upon the society by any other person.

*Liability of past member and estate of deceased member.*

28. (1) Subject to the provisions of sub-section (2), the liability of a past member or of the estate of a deceased member of a multi-State co-operative society for the debts of the society as they existed,—

(a) in the case of a past member, on the date on which he ceased to be a member;

(b) in the case of a deceased member, on the date of his death, shall continue for a period of two years from such date.

(2) Notwithstanding anything contained in sub-section (1), where a multi-State co-operative society is ordered to be wound up under section 77, the liability of a past member who ceased to be a member or of the estate of a deceased member who died within two years immediately preceding the date of the order of winding up, shall continue until the entire liquidation proceedings are completed, but such liability shall extend only to the debts of the society as they existed on the date of cessation of membership or death, as the case may be.

#### CHAPTER IV

#### Direction and Management of multi-State co-operative societies.

*General body, its constitution, powers and functions.*

29. (1) The general body of a multi-State co-operative society shall consist of all the members of such society :

Provided that where the bye-laws of a multi-State co-operative society provide for the constitution of a smaller body consisting of delegates of members of the society elected or selected in accordance with such bye-laws, that smaller body shall exercise such powers of the general body as may be prescribed or as may be specified in the bye-laws of the society.

(2) Subject to the provisions of this Act, the rules and the bye-laws, the ultimate authority of a multi-State co-operative society shall vest in the general body of its members :

Provided that nothing contained in this sub-section shall affect the exercise by the board or any officer of a multi-State co-operative society of any power conferred on such board or such officer by this Act or the rules or the bye-laws.

(3) Where in any meeting of the general body or the board of a multi-State co-operative society, a co-operative society or another multi-

State co-operative society is to be represented, such co-operative society or other multi-State co-operative society shall be represented in such meeting only through the Chairman or the Chief Executive of such co-operative society or other multi-State co-operative society, as the case may be, and where there is no board of such co-operative society or other multi-State co-operative society, for whatever reasons, through the administrator, by whatever name called, of such co-operative society or other multi-State co-operative society.

*Annual general meeting of the general body.*

**30. (1)** Every multi-State co-operative society shall, within such period as may be prescribed, after the close of the year, call a general meeting of its members in the manner prescribed for the purpose of—

- (a) consideration of the audit report and annual report;
- (b) disposal of net profits;
- (c) approval of the programme of activities for the ensuing year;
- (d) amendment of bye-laws;

(e) election, if any, of the members of the board, other than nominated members, subject to the provisions of section 35 :

Provided that the Central Registrar may by general or special order, extend the period for holding such meeting for a further period not exceeding three months :

Provided further that if in the opinion of the Central Registrar no such extension is necessary or such meeting is not called by the multi-State co-operative society within the extended period, if any, granted by him, the Central Registrar or any person authorised by him in this behalf may call such meeting in the manner prescribed, and that meeting shall be deemed to be a general meeting duly called by the society and the Central Registrar may order that expenditure incurred in calling such a meeting shall be paid out of the funds of the society or by such person or persons who, in the opinion of the Central Registrar, was or were responsible for the refusal or failure to convene the general meeting.

(2) At every annual general meeting of a multi-State co-operative society the Board shall lay before the society a statement showing the details of the loans or goods on credit, if any, given to any of the members of the board or to the spouse or a son or daughter of a member of the board during the preceding year or outstanding against him or against such spouse or son or daughter of the member of the board.

*Special General Meeting of the general body.*

31. (1) The Chief Executive may, at any time, on the direction of the board, call a special general meeting of the society and shall call such meeting within one month after the receipt of a requisition in writing from the Central Registrar or from such member or members or a proportion of the total number of members, as may be provided in the bye-laws.

(2) If a special general meeting of a multi-State co-operative society is not called in accordance with the requisition referred to in sub-section (1), the Central Registrar or any person authorised by him in this behalf shall have the power to call such meeting and that meeting shall be deemed to be a meeting called by the Chief Executive in accordance with the provisions of that sub-section and the Central Registrar may order that the expenditure incurred in calling such meeting shall be paid out of the funds of the society or by such person or persons who, in the opinion of the Central Registrar, was or were responsible for the refusal or failure to convene the special general meeting.

*Board of Directors.*

32. Subject to the provisions of this Act and the rules, there shall be a board of directors for every multi-State co-operative society consisting of such number of members as may be provided for under the bye-laws.

*Association of employees in the management decision making process.*

33. Every multi-State co-operative society shall devise such procedure, as may be specified in the bye-laws or in the administrative instructions, for association of the representatives of employees of such multi-State co-operative society at such level or bodies as may be specified in the bye-laws or the instructions issued in this regard, in the management decision making process.

*Disqualification for a member of a board.*

34. No member of any multi-State co-operative society or nominee of a member-society on a national co-operative society shall be eligible for being chosen as, or for being, a member of the board of such multi-State co-operative society or national co-operative society or of any other co-operative society to which the multi-State co-operative society is affiliated, if such member —

(a) has been adjudged by a competent court to be insolvent or of unsound mind;



(b) is concerned or participates in the profits of any contract with the society;

(c) has been convicted for an offence involving moral turpitude;

(d) holds any office or place of profit under the society:

Provided that the Chief Executive or such full-time employee of the society as may be notified by the Central Government from time to time or a person elected by the employees of such society to represent them on the board of such society shall be eligible for being chosen as, or for being, a member of such board;

(e) has been a member of the society for less than twelve months immediately preceding the date of such election or appointment;

(f) has interest in any business of the kind carried on by the society of which he is a member;

(g) has taken loan or goods on credit from the society of which he is a member, or is otherwise indebted to such society and after the receipt of a notice of default issued to him by such society, has defaulted —

(i) in repayment of such loan or debt or in payment of the price of the goods taken on credit, as the case may be, within the date fixed for such repayment or payment or where such date is extended, which in no case shall exceed six months, within the date so extended, or

(ii) when such loan or debt or the price of goods taken on credit is to be paid in instalments, in payment of any instalment, and the amount in default or any part thereof has remained unpaid on the expiry of six months from the date of such default:

Provided that a member of the board who has ceased to hold office as such under this clause shall not be eligible, for a period of one year, from the date on which he ceased to hold office, for re-election as a member of the board of the multi-State co-operative society of which he was a member or for election to the board of any other multi-State co-operative society;

(h) is a person against whom any amount due under a decree, decision or order is pending recovery under this Act;

(i) is retained or employed as a legal practitioner on behalf of or against the multi-State co-operative society, or on behalf of or against any other multi-State co-operative society, which is a member of the former society.

*Explanation.*— For the purposes of this clause "legal practitioner" has the same meaning as in clause (i) of sub-section (1) of section 2 of the Advocates Act, 1961 (25 of 1961) :

(j) has been convicted for any offence under this Act.

*Election of members of board.*

35. (1) The superintendence, direction and control of the preparation of the electoral rolls for, and the conduct of, elections of the members of the board of such multi-State co-operative societies or class of multi-State co-operative societies as the Central Government may, by general or special order, notify, shall be vested in such returning officers as may be appointed by the Central Registrar in this behalf.

(2) The vote at such elections shall be by secret ballot.

(3) The term of office of the elected members of the board shall be such, not exceeding three years from the date of election, as may be specified in the bye-laws of a multi-State co-operative society :

Provided that the elected members shall continue to hold office till their successors are elected or nominated under the provisions of this Act or the rules or the bye-laws and assume the charge of their office.

(4) No person shall be eligible to be elected as a member of the board of a multi-State co-operative society unless he is a member of the general body of that society.

(5) The Central Government may make rules generally to provide for or to regulate matters in respect of elections of members of the board.

*Holding of office in co-operative society.*

36. Notwithstanding anything contained in this Act, no person shall be eligible to hold, at the same time, office of a president or chairman or vice-president or vice-chairman on the board of more than one multi-State co-operative society:

Provided that any person holding, at the commencement of this Act, the office of a president or chairman or vice-president or vice-chairman in more than one multi-State co-operative society shall, within three months from such commencement by notice in writing signed by him, intimate the name of the multi-State co-operative society in which he wishes to serve and hereupon his office in the other multi-State co-operative society in which he does not wish to serve shall become vacant :

Provided further that in default of such intimation within the period

referred to in the preceding proviso, his offices in all the multi-State co-operative societies shall, at the expiration of the period aforesaid, become vacant.

*Restrictions on holding of office.*

37. No person shall be eligible to hold the office of a president or chairman or vice-president or vice-chairman on the board of a multi-State co-operative society, after he has held the office as aforesaid during two consecutive terms, whether full or part:

Provided that a person who has ceased to hold the office of a president or chairman continuously for one full term of three years shall again be eligible for election to the offices aforesaid.

*Explanation.* — Where any person holding the office of the president or vice-president or chairman or vice-chairman at the commencement of this Act is again elected to that office after such commencement, he shall for the purpose of this section, be deemed to have held office for one term before such election.

*Payment of honorarium.*

38. Honorarium may be paid to the elected chairman or president of the board out of the profits of the multi-State co-operative society in respect of specific services rendered by him, subject to such restrictions and conditions as may be prescribed.

*Removal of elected members by general body.*

39. An elected member of a board who has acted adversely to the interests of multi-State co-operative society may, on the basis of a report from the Central Registrar or otherwise, be removed from the board upon a resolution of the general body passed at its meeting by a majority of not less than two-thirds of the members present and voting at the meeting:

Provided that the member concerned shall not be removed unless he has been given a reasonable opportunity of making representation in the matter.

*Removal of member by Central Registrar.*

40. If in spite of cessation of office under circumstances mentioned in section 34, section 36, section 37 or section 39 a member of the board refuses to vacate his office, the Central Registrar shall, by order in writing, remove him from such office.

*Nominee of Central Government or  
State Government on the board.*

41. (1) Where the Central Government or a State Government has subscribed to the share capital of a multi-State co-operative society or has guaranteed the repayment of principal and payment of interest on debentures issued by a multi-State co-operative society or has guaranteed the repayment of principal and payment of interest on loans and advances to a multi-State co-operative society, the Central Government or the State Government in this behalf, as the case may be, or any person authorised by the Central Government or the State Government, shall have the right to nominate on the board such number of persons as may be prescribed.

(2) The bye-laws of a multi-State co-operative society may provide for the nomination of persons in excess of the limits prescribed under subsection (1).

(3) A person nominated under this section shall hold office during the pleasure of the Government by which he has been so nominated.

*Powers and functions of the board.*

42. (1) The board may exercise all such powers as may be necessary or expedient for the purpose of carrying out its functions under this Act.

(2) Without prejudice to the generality of the foregoing power, such power shall include the power—

- (a) to admit members;
- (b) to interpret the organisational objectives and set up specific goals to be achieved towards these objectives;
- (c) to make periodic appraisal of operations;
- (d) to appoint a Chief Executive and such other employees of the society (out of the list of persons referred to in section 50) as are not required to be appointed by the Chief Executive;
- (e) to make provisions for regulating the appointment of employees of the multi-State co-operative society and the scales of pay, allowances and other conditions of service of, including disciplinary action against, such employees;
- (f) to approve annual and supplementary budget;
- (g) to acquire or dispose of immovable property;
- (h) to raise funds;

- (i) to sanction loans to the members; and
- (j) to take such other measures or to do such other acts as may be prescribed or required under this Act.

*Meetings of the board.*

43. (1) The Chief Executive shall convene the meetings of the board at the instance of the chairman or president of the multi-State co-operative society.

(2) The total number of meetings of the board in a year and the venue of meetings may be such as may be prescribed:

Provided that the board shall meet at least once in every quarter.

*Chief Executive.*

44. (1) There shall be a Chief Executive, by whatever designation called, of every multi-State co-operative society, to be appointed by the board and he shall be a full-time employee of such multi-State co-operative society.

(2) The Chief Executive shall be a member of the board and of the Executive Committee and such other committees or sub-committees as may be constituted under sub-section (1) of section 46.

(3) The functional directors in national co-operative societies shall also be members of the board.

(4) Where the Central Government has subscribed to the extent of more than one-half of the share capital of a national co-operative society, it shall be obligatory on such a society to seek prior approval of the Central Government to the appointment of Chief Executive and the functional directors.

*Powers and functions of Chief Executive.*

45. The Chief Executive shall exercise the powers and discharge the functions, specified below, namely:—

(a) day-to-day management of the business of the multi-State co-operative society;

(b) operating the accounts of the multi-State co-operative society and be responsible for making arrangements for safe custody of cash;

(c) signing on the documents for and on behalf of the multi-State co-operative society;

(d) making arrangements for the proper maintenance of various

books and records of the multi-State co-operative society and for the correct preparation, timely submission of periodical statements and returns in accordance with the provisions of this Act, the rules and the bye-laws;

(e) convening meetings of the general body of the multi-State co-operative society, the board and the Executive Committee and other committees or sub-committees constituted under sub-section (1) of section 46 and maintaining proper records for such meetings;

(f) making appointments to posts in the multi-State co-operative society in accordance with the rules made under clause (e) of sub-section (2) of section 42 except the posts in relation to which the power of appointment vests in the board under clause (d) of that sub-section;

(g) assisting the board in the formulation of policies and objectives and planning;

(h) furnishing to the board periodical information necessary for appraising the operations and functions of the multi-State co-operative society;

(i) performing such other duties, and exercising such other powers, as may be prescribed or as may be specified in the bye-laws of the multi-State co-operative society.

*Committees of the board.*

46. (1) The board may, subject to such conditions as may be prescribed, constitute an Executive Committee and other committees or sub-committees, as may be considered necessary.

(2) The Executive Committee or other committee or sub-committee referred to in sub-section (1) shall perform such functions as are assigned to it in accordance with the bye-laws of the multi-State co-operative society.

*Central Government's power to give directions  
in the public interest.*

47. If the Central Government is satisfied that in the public interest or for the purposes of securing proper implementation of co-operative production and other developmental programmes approved or undertaken by the Central Government or to secure proper management of the business of the multi-State co-operative societies generally or for preventing the affairs of the multi-State co-operative society being conducted in a manner detrimental to the interests of the members, any depositors or creditors thereof, it is necessary to issue directions to any class of multi-State co-

operative societies generally or to any multi-State co-operative society or societies in particular, the Central Government may issue directions to them or to it, from time to time, and all such multi-State co-operative societies or the society concerned, as the case may be, shall be bound to comply with such directions.

*Supersession of board.*

48. (1) If in the opinion of the Central Registrar the board of any multi-State co-operative society is persistently making default or is negligent in the performance of the duties imposed on it by this Act or the rules or the bye-laws or has committed any act which is prejudicial to the interests of the society or its members, or has omitted or failed to comply with any directions given to it under section 47 or that there is a stalemate in the constitution or functions of the board, the Central Registrar may, after giving the board an opportunity to state its objections, if any, and considering the objections, if received, by order in writing, remove the board and appoint one or more administrators, who need not be members of the society, to manage the affairs of the society for such period not exceeding one year, as may be specified in the order, which period may, at the discretion of the Central Registrar, be extended from time to time; so, however, that the aggregate period does not exceed two years.

(2) The Central Registrar may fix such remuneration for the administrators, as he may think fit and the remuneration shall be paid out of the funds of the multi-State co-operative society.

(3) The administrator shall, subject to the control of the Central Registrar and to such instructions as he may from time to time give, have power to exercise all or any of the functions of the board or of any officer of the multi-State co-operative society and take all such actions as may be required in the interests of society.

(4) Save as otherwise provided in sub-section (5), the administrator shall, before the expiry of his term of office, arrange for the constitution of a new board in accordance with the bye-laws of the multi-state co-operative society.

(5) If at any time during the period the administrator is in office, the Central Registrar considers it necessary or expedient so to do, he may, by order in writing giving reasons therefor, direct the administrator to arrange for the constitution of a new board for such multi-State co-operative society in accordance with the bye-laws of such society and immediately on the constitution of such board, the administrator shall hand over the

management of such society to such newly constituted board and cease to function.

(6) Where a multi-State co-operative society is indebted to any financial institution, the Central Registrar shall, before taking any action, under sub-section (1) in respect of that society, consult the financial institution.

(7) Notwithstanding anything contained in this Act, the Central Registrar shall, in the case of a co-operative bank, if so required in writing by the Reserve Bank in the public interest or for preventing the affairs of the co-operative bank being conducted in a manner detrimental to the interests of the depositors or for securing the proper management of a co-operative bank, pass an order for the supersession of the board of that co-operative bank and for the appointment of an administrator therefor for such period or periods not exceeding five years in the aggregate as may from time to time be specified by the Reserve Bank.

*Securing possession of records, etc.*

49. (1) If—

(a) the records (including registers and books of accounts) of a multi-State co-operative society are likely to be tampered with or destroyed or the funds or other property of such society are likely to be misappropriated or misapplied; or

(b) the board of a multi-State co-operative society is reconstituted at a general meeting of the society; or

(c) the board of a multi-State co-operative society is removed by the Central Registrar under sub-section (1) of section 48; or

(d) a multi-State co-operative society is ordered to be wound up under section 77 and the outgoing members of the board refuse to hand over charge of the records and property of the society to those having, or entitled to receive, such charge,

the Central Registrar may apply to the magistrate within whose jurisdiction the multi-State co-operative society functions for securing the records and property of the society.

(2) On receipt of an application under sub-section (1), the magistrate may, by a warrant, authorise any police officer not below the rank of a sub-inspector to enter and search any place where such records and property are kept or are believed to be kept and to seize such records and property; and the records and property so seized shall be handed over to the



new board or administrator of the multi-State co-operative society or the liquidator, as the case may be.

(3) Every such search and seizure shall be made in accordance with the provisions of the Code of Criminal Procedure, 1973.

(2 of 1974).

*Constitution of body of persons for preparation of list, etc.*

**50.** The Central Government shall—

(a) constitute a body of persons in the manner prescribed for the preparation of a list of persons eligible for appointment to the posts of Chief Executive and other managerial posts in national co-operative societies, the maximum pay-scale of which exceeds such amount as may be prescribed;

(b) make rules for regulating the recruitment, remuneration, allowances and other conditions of service of officers and other employees of national co-operative societies.

*Acts of multi-state co-operative societies not to be invalidated by certain defects.*

**51.** No act of a multi-State co-operative society or of any board or of any committee or of any officer of the society shall be deemed to be invalid by reason only of the existence of any defect in the procedure or in the constitution of the society or of the board or of the committee thereof or in the appointment or election of an officer or on the ground that such officer was disqualified to hold office.

## CHAPTER V

### PRIVILEGES OF MULTI-STATE CO-OPERATIVE SOCIETIES

*Multi-state Co-operative society to be body corporate.*

**52.** The registration of a multi-State co-operative society shall render it a body corporate by the name under which it is registered having perpetual succession and a common seal, and with power to hold property, enter into contract, institute and defend suits and other legal proceedings and to do all things necessary for the purposes for which it is constituted.

*Charge and set off, in respect of share or contribution or interest of members.*

**53.** A multi-State co-operative society shall have a charge on the share or contribution or interest in the capital and on the deposits of a member or past or deceased member and on any dividend, bonus or profits payable to

a member or past member or the estate of a deceased member in respect of any debt due from such member or past member or the estate of such deceased member to the society, and may set-off any sum credited or payable to a member or past member or the estate of deceased member in or towards payment of any such debt.

*Share or contribution or interest not liable to attachment.*

54. (1) Subject to the provisions of section 53, the share or contribution or interest of a member or past or deceased member in the capital of a multi-State co-operative society shall not be liable to attachment or sale under any decree or order of any court in respect of any debt or liability incurred by such member, and an official assignee or a receiver under any law relating to insolvency shall not be entitled to or have any claim on such share or contribution or interest.

(2) The reserve fund, or the bad debt reserves, or the provident fund of the employees, of a multi-State co-operative society invested by such society in accordance with the provisions of this Act and the rules shall not be liable to attachment under any decree or order of a court in respect of any debt or liability incurred by the society.

*Register of members.*

55. Any register or list of members or shares kept by any multi-State co-operative society shall be prima facie evidence of any of the following particulars entered therein, namely:—

- (a) the date on which any person entered in such register or list became a member;
- (b) the date on which any such person ceased to be a member.

*Admissibility of copy of entry as evidence.*

56. (1) A copy of any entry in a book of a multi-State co-operative society regularly kept in the course of its business shall, if certified in such manner as may be prescribed, be received in any suit or legal proceedings as prima facie evidence of the existence of such entry and shall be admitted as evidence of the matters, transactions and accounts therein recorded in every case where and to the same extent as, the original entry itself is admissible.

(2) No officer of a multi-State co-operative society and no officer in whose office the books of a multi-State co-operative society are deposited after liquidation shall, in any legal proceedings to which the society or the liquidator is not a party, be compelled to produce any of the society's books

or documents the contents of which can be proved under this section, or to appear as a witness to prove the matters, transactions and accounts therein recorded, except under an order of a court or an arbitrator made for a special cause.

*Exemption from compulsory registration of instruments.*

**57.** Nothing in clauses (b) and (c) of sub-section (1) of section 17 of the Registration Act, 1908 (16 of 1908), shall apply to—

(a) any instrument relating to shares in a multi-State co-operative society notwithstanding that the assets of the society consist in whole or in part of immovable property; or

(b) any debenture issued by any such society and not creating, declaring, assigning, limiting or extinguishing any right, title or interest to or in immovable property, except in so far as it entitles the holder thereof to the security afforded by a registered instrument whereby the society has mortgaged, conveyed or otherwise transferred the whole or part of its immovable property or any interest therein to trustees upon trust for the benefit of the holders of such debentures; or

(c) an endorsement upon or transfer of any debenture issued by any such society.

*Deduction from salary to meet multi-State co-operative society's claim in certain cases.*

**58.** (1) Notwithstanding anything contained in any law for the time being in force, a member of a multi-State co-operative society may execute an agreement in favour of that society providing that his employer disbursing his salary or wages shall be competent to deduct every month from the salary or wages payable to him, such amount as may be specified in the agreement and to pay the amount so deducted to the society in satisfaction of any debt or other demand owing by the member to the society.

(2) On the execution of such agreement, the employer disbursing the salary or wages of the members shall, if so required by the multi-State co-operative society by a requisition in writing and so long as the society does not intimate that the whole of such debt or other demand has been paid, make the deduction in accordance with the agreement and pay the amount so deducted to the society within a period of fourteen days of the date on which deduction has been made, as if it were a part of the salary or wages payable on the day as required under the Payment of Wages Act, 1936 (4 of 1936) and such payment shall be valid discharge of the employer for his

liability to pay the amount deducted.

(3) If after the receipt of a requisition made under sub-section (2) the employer disbursing the salary or wages of the member at any time fails to deduct the amount specified in the requisition from the salary or wages payable to the member concerned or

makes default in remitting the amount deducted to the multi-State co-operative society, the society shall be entitled to recover any such amount from such employer as arrears of land revenue and the amount so due from such employer shall rank in priority in respect of the liability of such employer equal to that of the salary or wages in arrears.

*Government aid to multi-State co-operative societies.*

59. Notwithstanding anything contained in any law for the time being in force, the Central Government or a State Government may, with a view to promoting co-operative movement,—

(a) subscribe to the share capital of a multi-State co-operative society;

(b) give loans or make advances to a multi-State co-operative society;

(c) guarantee the repayment of principal and payment of interest on debentures issued by a multi-State co-operative society;

(d) guarantee the repayment of share capital of a multi-State co-operative society and dividends thereon at such rates as may be specified by the Central Government or the State Government;

(e) guarantee the repayment of principal and payment of interest on loans and advances to a multi-State co-operative society;

(f) give financial assistance in any other form, including subsidies, to any multi-State co-operative society.

## CHAPTER VI

### PROPERTIES AND FUNDS OF MULTI-STATE CO-OPERATIVE SOCIETIES

*Funds not to be divided by way of profit.*

60. (1) No part of the funds, other than net profits, of a multi-State co-operative society shall be divided by way of bonus or dividend or otherwise distributed among its members.

(2) The net profits of a multi-State co-operative society referred to in sub-section (1) in respect of a society earning profits shall be calculated by deducting from the gross profits for the year, all interest accrued and accruing in relation to amounts which are overdue, establishment charges, interest payable on loans and deposits, audit fees, working expenses including repairs, rent, taxes and depreciation, bonus payable to employees under the law relating to payment of bonus for the time being in force, and equalisation fund for such bonus, provision for payment of income-tax and making approved donations under the Income-tax Act, 1961 (43 of 1961), development rebate, provision for development fund, bad debt fund, price fluctuation fund, dividend equalisation fund, share capital, redemption fund, investment fluctuation fund, provision for retirement benefits to employees, and after providing for or writing off bad debts and losses not adjusted against any fund created out of profit:

Provided that such society may, add to the net profits for the year, interest accrued in the preceding years, but actually recovered during the year:

Provided further that in case of such multi-State co-operative societies as do not have share capital, the surplus of income over expenditure shall not be treated as net profits and such surplus shall be dealt with in accordance with the bye-laws.

*Disposal of net profits.*

61. (1) A multi-State co-operative society shall, out of its net profits in any year—

(a) transfer an amount not less than twenty-five per cent, to the reserve fund; and

(b) credit such portion, as may be prescribed, to the co-operative education fund maintained by the National Co-operative Union of India Limited, New Delhi.

(2) Subject to such conditions as may be prescribed, the balance of the net profits may be utilised for all or any of the following purposes, namely:—

(a) payment of dividend to members on their paid-up share capital at a rate not exceeding the prescribed limit;

(b) constitution of, or contribution to, such special funds including education funds, as may be specified in the bye-laws;

(c) donation of amounts not exceeding five per cent. of the net profits for any purpose connected with the development of co-operative movement or charitable purpose as defined in section 2 of the Charitable Endowments Act, 1890 (16 of 1890);

(d) payment of *ex gratia* amount to employees of the multi-State co-operative society to the extent and in the manner specified in the by-laws.

(3) The funds of a multi-State co-operative society shall not be utilised for any political purpose.

*Investment of funds.*

62. A multi-State co-operative society may invest or deposit its funds—

(a) in a co-operative bank, State co-operative bank, co-operative land mortgage bank, co-operative land development bank or Central co-operative bank; or

(b) in any of the securities specified in section 20 of the Indian Trusts Act, 1882 (2 of 1882); or

(c) in the shares or securities of any other multi-State co-operative society or any co-operative society; or

(d) in the shares, securities or assets of any other institution, with the previous approval of the Central Registrar; or

(e) with any bank; or

(f) in such other mode as may be prescribed.

*Explanation*—In clause (e), "bank" means any banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949) and includes,—

(i) the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955);

(ii) a subsidiary bank as defined in clause (k) of section 2 of the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959);

(iii) a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970) or a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980).

*Restrictions on loans.*

**63. (1)** A multi-State co-operative society, other than a co-operative bank, shall not make a loan—

(a) to a member on the security of his share or on the security of a non-member; or

(b) to a non-member:

Provided that with the general or special sanction of the Central Registrar, a multi-State co-operative society may make loans to another multi-State co-operative society.

(2) Notwithstanding anything contained in sub-section (1), a multi-State co-operative society may make a loan to a depositor on the security of his deposit.

*Restrictions on borrowing.*

**64.** A multi-State co-operative society shall receive deposits and loans only to such extent and under such conditions as may be specified in the bye-laws:

Provided that a co-operative bank shall be governed by the provisions of the Banking Regulation Act, 1949 (10 of 1949)

*Restrictions on other transactions with non-members.*

**65.** Save as provided in sections 63 and 64, the transaction of a multi-State co-operative society with any person other than a member shall be subject to such prohibitions and restrictions, if any, as may be prescribed.

*Contributory provident fund.*

**66. (1)** A multi-State co-operative society having such number or class of employees as may be prescribed may establish a contributory provident fund for the benefit of such employees to which shall be credited all contributions made by the employees and the society in accordance with the bye-laws of the society.

(2) Monies standing to the credit of any contributory provident fund established by a multi-State co-operative society under sub-section (1) shall not—

(a) be used in the business of the society;

(b) form part of the assets of the society;

(c) be liable to attachment or be subject to any other process of any court or other authority.

(3) Notwithstanding anything contained in this section, a provident fund established by a multi-State co-operative society to which the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (10 of 1952) apply, shall be governed by that Act.

## CHAPTER VII

### AUDIT, INQUIRY, INSPECTION AND SURCHARGE

#### *Audit*

67. (1) The Central Registrar shall audit, or cause to be audited by a person authorised by him by general or special order in writing in this behalf, the accounts of every multi-State co-operative society at least once in each year.

(2) The audit under sub-section (1) shall include an examination of overdue debts, if any, the verification of the cash balance and securities, and a valuation of the assets and liabilities of the multi-State co-operative society.

(3) The person auditing the accounts of a multi-State co-operative society shall have free access to the books, accounts, papers, vouchers, stock and other property of such society and shall be allowed to verify its cash balance and securities.

(4) The directors, managers, administrators and other officers of the multi-State co-operative society shall furnish to the person auditing the accounts of the society all such information as to its transactions and working as such person may require.

(5) The Central Registrar or the person authorised by him under sub-section (1) to audit the accounts of a multi-State co-operative society shall have power, where necessary—

(a) to summon at the time of the audit any officer, agent, servant or member of the society, past or present, who, he has reason to believe can give valuable information in regard to transactions of the society or the management of its affairs; and

(b) to require the production of any book or document relating to the affairs of, or any cash or securities belonging to, the society by any officer, agent, servant or member of the society in possession of such books, documents, cash or securities and in the event of serious irregularities discovered during audit, to take them into custody.



(6) If at the time of audit the accounts of a multi-State co-operative society are not complete, the Central Registrar or the person authorised by him under sub-section (1) to audit may cause the accounts to be written up at the expense of the society.

(7) Audit fee, if any, due from any multi-State co-operative society shall be determined by the Central Registrar and shall be recoverable in the same manner as is provided in section 89.

*Inspection of multi-State co-operative societies.*

68. (1) The Central Registrar, or any person authorised by him by general or special order in writing in this behalf, may inspect a multi-State co-operative society.

(2) (a) For the purpose of inspection under sub-section (1), the Central Registrar or the person authorised by him under that sub-section shall at all times have access to all books, accounts, papers, vouchers, securities, stock and other property of that society and may, in the event of serious irregularities discovered during inspection, take them into custody and shall have power to verify the cash balance of the society and subject to the general or special order of the Central Registrar to call a meeting of the board and also a general meeting of the society where such general meeting is, in his opinion, necessary.

(b) Every officer or member of a multi-State co-operative society shall furnish such information with regard to the working of the society as the Central Registrar or the person making such inspection may require.

(3) A copy of the report of inspection under this section shall be communicated to the multi-State co-operative society within a period of three months from the date of completion of such inspection.

*Inquiry by Central Registrar.*

69. (1) The Central Registrar may, of his own motion or on the application of a majority of the members of the board or of not less than one-third of the members, hold an inquiry or direct some person authorised by him by order in writing in this behalf to hold an inquiry into the constitution, working and financial condition of a multi-State co-operative society.

(2) The Central Registrar or the person authorised by him under sub-section (1) shall have the following powers, namely:—

(a) he shall at all reasonable times have free access to the books, accounts, documents, securities, cash and other properties belonging to or

in the custody of the multi-State co-operative society and may summon any person in possession or responsible for the custody of any such books, accounts, documents, securities, cash or other properties to produce the same, at any place specified by him;

(b) he may, notwithstanding any rule or bye-law specifying the period of notice for a general meeting of the multi-State co-operative society, require the officers of the society to call a general meeting of the society by giving notice of not less than seven days at such time and place at the headquarters of the society to consider such matters, as may be directed by him; and where the officers of the society refuse or fail to call such a meeting, he shall have power to call it himself;

(c) he may summon any person who is reasonably believed by him to have any knowledge of the affairs of the multi-State co-operative society to appear before him at any place at the headquarters of the society or any branch thereof and may examine such person on oath.

(3) Any meeting called under clause (b) of sub-section (2) shall have all the powers of a general meeting of the society called under the bye-laws of the society and its proceedings shall be regulated by such bye-laws.

(4) The Central Registrar shall, within a period of three months of the date of receipt of the report, communicate a brief summary of the report of the inquiry to the multi-State co-operative society, the financial institutions, if any, to which the society is affiliated, and to the person or authority, if any, at whose instance the inquiry is made.

*Inspection of books of indebted multi-State co-operative societies.*

70. (1) The Central Registrar shall, on the application of a creditor or a multi-State co-operative society, inspect, or direct some person authorised by him by order in writing in this behalf to inspect, the books of the society:

Provided that no such inspection shall be made unless the applicant—

(a) satisfies the Central Registrar that the debt is a sum then due, and that he has demanded payment thereof and has not received satisfaction within a reasonable time; and

(b) deposits with the Central Registrar such sum as security for the costs of the proposed inspection as the Central Registrar may require.

(2) The Central Registrar shall communicate the result of any such pection to the creditor.

*Costs of inquiry and inspection.*

71. Where an inquiry is held under section 69 or an inspection is made under section 70, the Central Registrar may apportion the costs, or such part of the costs, as he may think fit, between the multi-State co-operative society, the members or creditor demanding an inquiry or inspection, and the officers or former officers and the members or past members of that society:

Provided that—

(a) no order of apportionment of the costs shall be made under this section unless the society or the person liable to pay the costs thereunder has had a reasonable opportunity of being heard;

(b) the Central Registrar shall state in writing under his own hand the grounds on which the costs are apportioned.

*Recovery of costs.*

72. Any sum awarded by way of costs under section 71 may be recovered, on application to a magistrate having jurisdiction in the place where the person, from whom the money is claimable, actually and voluntarily resides or carries on business, and such magistrate shall recover the same as if it were a fine imposed by himself.

*Repayment, etc.*

73. (1) If in the course of an audit, inquiry, inspection or the winding up of a multi-State co-operative society, it is found that any person, who is or was entrusted with the organisation or management of such society or who is or has at any time been an officer or an employee of the society, has made any payment contrary to this Act, the rules or the bye-laws or has caused any deficiency in the assets of the society by breach of trust or wilful negligence or has misappropriated or fraudulently retained any money or other property belonging to such society, the Central Registrar may, of his own motion or on the application of the board, liquidator or any creditor, inquire himself or direct any person authorised by him, by an order in writing in this behalf, to inquire into the conduct of such person within a period of two years from the date of the report of the audit, inspection or inquiry or the date of the order of winding up, as the case may be:

Provided that where the Central Registrar is satisfied that such inquiry could not be commenced during the period of two years aforesaid on account of fraud or concealment of facts make, or direct the inquiry to be made, within such period not exceeding six years from the date of the report of the audit, inspection or inquiry or the date of the order of winding up, as he may think fit.

(2) Where an inquiry is made under sub-section (1), the Central Registrar may, after giving the person concerned a reasonable opportunity of being heard, make an order requiring him to repay or restore the money or property or any part thereof, with interest at such rate, or to pay contribution and costs or compensation to such extent, as the Central Registrar may consider just and equitable.

## CHAPTER VIII SETTLEMENT OF DISPUTES

### *Disputes*

**74.** (1) Notwithstanding anything contained in any other law for the time being in force, if any dispute (other than a dispute regarding disciplinary action taken by a multi-State co-operative society against its paid employee or an industrial dispute as defined in clause (k) of section 2 of the Industrial Disputes Act, 1947) (24 of 1947) touching the constitution, management or business of a multi-State co-operative society arises—

(a) among members, past members and persons claiming through members, past members and deceased members, or

(b) between a member, past member or a person claiming through a member, past member or deceased member and the multi-State co-operative society, its board or any officer, agent or employee of the multi-State co-operative society or liquidator, past or present, or

(c) Between the multi-State co-operative society or its board and any past board, any officer, agent or employee, or any past officer, past agent or past employee or the nominee, heirs or legal representatives of any deceased officer, deceased agent, or deceased employee of the multi-State co-operative society, or

(d) between the multi-State co-operative society and any other multi-State co-operative society, between a multi-State co-operative society and liquidator or another multi-State co-operative society or between the liquidator of one multi-State co-operative society and the liquidator of another multi-State co-operative society,

such dispute shall be referred to the Central Registrar for decision and no court shall have jurisdiction to entertain any suit or other proceedings in respect of such dispute:

Provided that all disputes in which a national co-operative society is a party shall be referred to the Central Registrar or any officer empowered

to exercise the powers of the Central Registrar.

(2) For the purposes of sub-section (1), the following shall be deemed to be disputes touching the constitution, management or business of a multi-State co-operative society, namely:—

(a) a claim by the multi-State co-operative society for any debt or demand due to it from a member or the nominee, heirs or legal representatives of a deceased member, whether such debt or demand be admitted or not;

(b) a claim by a surety against the principal debtor where the multi-State co-operative society has recovered from the surety any amount in respect of any debt or demand due to it from the principal debtor as a result of the default of the principal debtor, whether such debt or demand is admitted or not;

(c) any dispute arising in connection with the election of any officer of a multi-State co-operative society.

(3) If any question arises whether a dispute referred to the Central Registrar is or is not a dispute touching the constitution, management or business of a multi-State co-operative society, the decision thereon of the Central Registrar shall be final and shall not be called in question in any court.

*Limitation.*

75. (1) Notwithstanding anything contained in the Limitation Act, 1963, (36 of 1963) but subject to the specific provisions made in this Act, the period of limitation in the case of a dispute referred to the Central Registrar shall,—

(a) When the dispute relates to the recovery of any sum including interest thereon due to a multi-State co-operative society by a member thereof, be computed from the date on which such member dies or ceases to be a member of the society;

(b) Save as otherwise provided in clause (c), when the dispute relates to any act or omission on the part of any of the parties referred to in clause (b) or clause (c) of sub-section (1) of section 74, be six years from the date on which the act or omission, with reference to which the dispute arose, took place;

(c) When the dispute relates to a multi-State co-operative society which has been ordered to be wound up under section 77 or in respect of which an administrator has been appointed under section 48, be six years

from the date of the order issued under section 77 or section 48, as the case may be;

(d) When the dispute is in respect of an election of an officer of a multi-State co-operative society, be one month from the date of the declaration of the result of the election.

(2) The period of limitation in the case of any dispute, except those mentioned in sub-section (1), which are required to be referred to the Central Registrar shall be regulated by the provisions of the Limitations Act, 1963 (36 of 1963) as if the dispute were a suit and the Central Registrar a civil court.

(3) Notwithstanding anything contained in sub-sections (1) and (2), the Central Registrar may admit a dispute after the expiry of the period of limitation, if the applicant satisfies the Central Registrar that he had sufficient cause for not referring the dispute within such period.

*Settlement of disputes.*

76. (1) The Central Registrar may, on receipt of the reference of dispute under section 74,—

(a) elect to decide the dispute himself; or

(b) transfer it for disposal to any other person who has been invested by the Central Government with powers in that behalf.

(2) The Central Registrar may withdraw any reference transferred under clause (b) of sub-section (1) and decide it himself or refer the same for decision to any other person who has been invested by the Central Government with powers in that behalf.

(3) The Central Registrar or any other person to whom a dispute is referred for decision under this section may, pending the decision of the dispute, make such interlocutory orders as he may deem necessary in the interest of justice.

## CHAPTER IX

### WINDING UP OF MULTI-STATE CO-OPERATIVE SOCIETIES

*Winding up of multi-State co-operative societies.*

77. (1) If the Central Registrar, after an inquiry has been held under section 69 or an inspection has been made under section 70, or on receipt of an application made by not less than three-fourths of the members of a multi-State co-operative society, is of opinion that the society ought to be

wound up, he may, after giving the society a reasonable opportunity of making its representations, by order, direct it to be wound up.

(2) The Central Registrar may, of his own motion and after giving the multi-State co-operative society a reasonable opportunity of making its representations, make an order directing the winding up of the multi-State co-operative society—

(a) Where it is a condition of the registration of the society that the society shall consist of at least fifty members and the number of members has been reduced to less than fifty; or

(b) Where the multi-State co-operative society has not commenced working within a period of six months of the date of its registration or such extended period as the Central Registrar may allow in this behalf or has ceased to function in accordance with co-operative principles.

(3) The Central Registrar may cancel an order for the winding up of a multi-State co-operative society, at any time, in any case where, in his opinion, the society should continue to exist.

(4) A copy of such order shall be contained by registered post to the multi-State co-operative society and to the financial institutions, if any, of which the society is a member.

(5) Notwithstanding anything contained in this section, no co-operative bank shall be wound up except with the previous sanction in writing of the Reserve Bank.

*Winding up of co-operative banks at the direction of Reserve Bank.*

78. Notwithstanding anything to the contrary contained elsewhere in this Act, the Central Registrar shall make an order for the winding up of a co-operative bank, if so required by the Reserve Bank in the circumstances mentioned in section 13D of the Deposit Insurance and Credit Guarantee Corporation Act, 1961 (47 of 1961).

*Reimbursement to the Deposit Insurance Corporation by liquidator*

79. Where a co-operative bank, being an insured bank within the meaning of the Deposit Insurance and Credit Guarantee Corporation Act, 1961 (47 of 1961) is wound up and the Deposit Insurance Corporation has become liable to the depositors of the insured bank under sub-section (1) of section 16 of that Act, the Deposit Insurance Corporation shall be reimbursed by the liquidator or such other person in the circumstances, to the extent and in the manner provided in section 21 of that Act.

*Liquidator.*

80. (1) Where the Central Registrar has made an order under section 77 for the winding up of a multi-State co-operative society, the Central Registrar may appoint a liquidator for the purpose and fix his remuneration.

(2) A liquidator shall, on appointment, take into his custody or under his control all the property, effects and actionable claims to which the multi-State co-operative society is or appears to be entitled and shall take such steps as he may deem necessary or expedient to prevent loss or deterioration of, or damage to, such property, effects and claims and he may carry on the business of the multi-State co-operative society so far as may be necessary with the previous approval of the Central Registrar.

(3) Where an appeal is preferred under clause (k) of sub-Section (1) of section 90, an order for the winding up of a multi-State co-operative society made under section 77 shall not operate thereafter until the order is confirmed in appeal:

Provided that the liquidator shall continue to have custody or control of the property, effects and actionable claims mentioned in sub-section (2) and have authority to take the steps referred to in that sub-section.

(4) Where an order for the winding up of a multi-State co-operative society is set aside in appeal, the property, effects and actionable claims of the society shall re-vest in the society.

*Powers of Liquidator.*

81. (1) Subject to any rules made in this behalf, the whole of the assets of a multi-State co-operative society in respect of which an order for winding up has been made, shall vest in the liquidator appointed under section 80 from the date on which the order takes effect and the liquidator shall have power to realise such assets by sale or otherwise.

(2) Such liquidator shall also have power, subject to the control of the Central Registrar—

(a) to institute and defend suits and other legal proceedings on behalf of the multi-State co-operative society by the name of his office;

(b) to determine from time to time the contribution (including debts due and costs of liquidation) to be made or remaining to be made by the members or past members or by the states or nominees, heirs or legal representatives of deceased members or by any officers or former officers, to the assets of the multi-State co-operative society;



(c) to investigate all claims against the multi-State co-operative society and subject to the provisions of this Act, to decide questions of priority arising between claimants;

(d) to pay claims against the multi-state co-operative society, including interest up to the date of winding up according to their respective priorities, if any, in full or rateably, as the assets of the society may permit; the surplus, if any, remaining after payment of the claims being applied in payment of interest from the date of such order of winding up at a rate fixed by him but not exceeding the contract rate in any case;

(e) to determine by what persons and in what proportions the costs of the liquidation are to be borne;

(f) to determine whether any person is a member, past member or nominee of a deceased member;

(g) to give such directions in regard to the collection and distribution of the assets of the multi-State co-operative society as may appear to him to be necessary for winding up the affairs of that society;

(h) to carry on the business of the multi-State co-operative society so far as may be necessary for the beneficial winding up of the same;

(i) to make any compromise or arrangement with creditors or persons claiming to be creditors or having or alleging to have any claim, present or future, whereby the multi-State co-operative society may be rendered liable;

(j) to make any compromise or arrangement with any person between whom and the multi-State co-operative society there exists any dispute and to refer any such dispute for decision;

(k) after consulting the members of the multi-State co-operative society, to dispose of the surplus, if any, remaining after paying the claims against the society, in such manner as may be prescribed;

(l) to compromise all calls or liabilities to calls and debts and liabilities capable of resulting in debts, and all claims, present or future, certain or contingent, subsisting or alleged to be subsisting between the multi-State co-operative society and a contributory or other debtor or person apprehending liability to the multi-State co-operative society and all questions in any way relating to or affecting the assets or the winding up of the society on such terms as may be agreed and take any security for the discharge of any such call, liability, debt or claim and give a complete discharge in respect thereof.

(3) When the affairs of a multi-State co-operative society have been wound up, the liquidator shall make a report to the Central Registrar and deposit the records of the society in such place as the Central Registrar may direct.

*Disposal of surplus assets.*

**82.** The surplus assets, as shown in the report of a liquidator of a multi-State co-operative society which is wound up,—

(a) may, if the bye-laws of the multi-State co-operative society specify the purpose for which surplus shall be utilised, be utilised by the Central Registrar for the said purpose, and

(b) if the bye-laws aforesaid do not specify the purpose, be divided by the Central Registrar, with the previous sanction of the Central Government, amongst the members of such multi-State co-operative society in such manner as may be prescribed.

*Priority of contributions assessed by liquidator.*

**83.** Notwithstanding anything contained in any law relating to insolvency, the contribution assessed by a liquidator shall rank next to debts due to the Central Government or a State Government or a local authority in accordance with the order of priority in insolvency proceedings.

*Power of Central Registrar to cancel registration of a multi-State co-operative society.*

**84.** (1) The Central Registrar may, after considering the report of the liquidator made to him under sub-section (3) of section 81, order the registration of the multi-State co-operative society to be cancelled and on such cancellation, that society shall stand dissolved.

(2) An order passed under sub-section (1) shall be communicated by registered post to the president of the multi-State co-operative society and to the financial institutions, if any, of which the society was a member.

## CHAPTER X

### EXECUTION OF DECREES, ORDERS AND DECISIONS

*Execution of decisions, etc.*

**85.** Every decision or order made under section 30, section 31, section 73, section 76, section 90, section 92 or section 93 shall, if not carried out

(a) on a certificate signed by the Central Registrar or any person

authorised by him in writing in this behalf, be deemed to be a decree of a civil court and shall be executed in the same manner as if it were a decree of such court; or

(b) where the decision or order provides for the recovery of money, be executed according to the law for the time being in force for the recovery of arrears of land revenue:

Provided that any application for the recovery in such manner of any sum shall be made—

(i) to the Collector and shall be accompanied by a certificate signed by the Central Registrar or by any person authorised by him in writing in this behalf;

(ii) within twelve years from the date fixed in the decision or order and if no such date is fixed, from the date of the decision or order, as the case may be; or

(c) be executed by the Central Registrar or any person authorised by him in writing in this behalf, by attachment and sale or sale without attachment of any property of the person or a multi-State co-operative society against whom the decision or order has been made.

#### *Execution of orders of liquidator*

86. Every order made by the liquidator under section 81 shall be executed according to the law for the time being in force for the recovery of arrears of land revenue.

#### *Attachment before award.*

87. (1) Where the Central Registrar is satisfied that a party to any reference made to him under section 74 with intent to defeat or delay the execution of any decision that may be passed thereon is about to—

(a) dispose of the whole or any part of the property; or

(b) remove the whole or any part of the property from its existing precincts, the Central Registrar may, unless adequate security is furnished, direct conditional attachment of the said property or such party thereof as he thinks necessary.

(2) The attachment under sub-section (1) shall be executed by a civil court having jurisdiction in the same way as an attachment order passed by itself and shall have the same effect as such order.

*Central Registrar or the person authorised by him to be civil court for certain purposes.*

88. The Central Registrar or any person authorised by him in writing in this behalf shall be deemed, when exercising any powers under this Act for the recovery of any amount by the attachment and sale or by sale without attachment of any property, or when passing any orders on any application made to him for such recovery or for taking a step-in-aid of such recovery, to be a civil court for the purposes of article 136 of the Schedule to the Limitation Act, 1963 (36 of 1963).

*Recovery of sums due to Government.*

89. (1) All sums due from a multi-State co-operative society, or from an officer or member or past member of a multi-State co-operative society, to the Central Government or a State Government, including any cost awarded to the Central Government or the State Government, as the case may be, under any provision of this Act, may, on a certificate issued by the Central Registrar in this behalf, be recovered in the same manner as arrears of land revenue.

(2) Sums due from a multi-State co-operative society to the Central Government or a State Government and recoverable under sub-section (1) may be recovered firstly from the property of the society and secondly from the members, past members or the estates of deceased members, subject to the limit of their liability:

Provided that the liability of past members and the estate of deceased members shall in all cases be subject to the provisions of section 28.

## CHAPTER XI

### APPEALS AND REVISION

#### *Appeals.*

90. (1) Subject to the provisions of section 91, an appeal shall lie under this section against—

(a) an order made by the Central Registrar under sub-section (2) of section 7 refusing to register a multi-State co-operative society;

(b) an order made by the Central Registrar under sub-section (4) of section 9 refusing to register an amendment of the bye-laws of a multi-State co-operative society;

(c) a decision of a multi-State co-operative society refusing or deemed to be refusing under sub-section (5) of section 19 to admit any person as a member of the society who is otherwise duly qualified for membership under the bye-laws of the society;

(d) a decision of a multi-State co-operative society under sub-section (1) of section 21 expelling any of its members;

(e) a decision of a multi-State co-operative society removing an elected member of a board under section 39;

(f) an order made by the Central Registrar under section 40 removing a member from his office;

(g) an order made by the Central Registrar under section 48 superseding the board of directors of a multi-State co-operative society;

(h) an order made by the Central Registrar under section 71 apportioning the costs of an inquiry held under section 69 or an inspection made under section 70;

(i) an order made under sub-section (2) of section 73;

(j) a decision or order made under section 76;

(k) an order made by the Central Registrar under section 77 directing the winding up of a multi-State co-operative society;

(l) an order made by the liquidator of a multi-State co-operative society under section 81;

(m) an order under section 87 directing attachment of property before award.

(2) An appeal against any decision or order under sub-section (1) shall be made within sixty days from the date of such decision or order,—

(a) if the decision or order was made by the Central Registrar, to the prescribed authority;

(b) if the decision was made by a multi-State co-operative society (other than a national co-operative society), or a liquidator of such society, to the officer who is empowered to exercise the powers of the Central Registrar under sub-section (2) of section 4; or

(c) if the decision was made by a national co-operative society or a liquidator of such society, to the Central Registrar appointed under sub-section (1) of section 4.

(3) The appellate authority may, if satisfied that the appellant was

prevented by sufficient cause from preferring the appeal within the period of sixty days, admit the appeal within such further period not exceeding sixty days as that authority may deem fit.

(4) In disposing of an appeal under this section, the appellate authority may, after giving the parties a reasonable opportunity of making their representations, pass such order thereon as that authority may deem fit.

(5) The decision or order of the appellate authority on appeal shall be final.

*No appeal or revision in certain cases.*

91. Notwithstanding anything contained in this Act, where with the previous sanction in writing of, or on requisition by, the Reserve Bank, a co-operative bank—

(a) is being wound up; or

(b) in respect of which a scheme of amalgamation or reorganisation is given effect to; or

(c) in respect of which an order for the supersession of the board and the appointment of an administrator therefor has been made,

no appeal, revision or review there against shall lie or be permissible, and the sanction or requisition of the Reserve Bank shall not be liable to be called in question.

*Revision.*

92. (1) Subject to the provisions of section 91, the Central Government may, of its own motion or on an application, call for and examine the records of any proceedings in which no appeal lies to the appellate authority under section 90 for the purpose of satisfying itself as to the legality or propriety of any decision or order made under this Act and if in any case it shall appear to the Central Government that any such decision or order should be modified, annulled or revised or remitted for reconsideration, the Central Government may, after giving the party to be affected thereby a reasonable opportunity of being heard, pass such order thereon as it may deem fit:

Provided that the application to the Central Government for the exercise of the power under this section shall be preferred within ninety days from the date on which the decision or order to which the application relates was communicated to the applicant:

Provided further that the Central Government may, if satisfied that the appellant was prevented by sufficient cause from making the application

within the said period of ninety days, admit the application after the expiry of the said period.

(2) The Central Government may suspend the execution of the decision or order pending the exercise of its power under sub-section (1) in respect thereof.

(3) The Central Government may award costs in proceedings under this section to be paid out of the funds of the multi-State co-operative society concerned or by such party to the application for revision as the Central Government may deem fit.

*Review.*

93. (1) The appellate authority under section 90 may, on the application of any party interested, review its own order in any case and pass in reference thereto such order as it thinks fit:

Provided that no such application shall be entertained unless the appellate authority is satisfied that there has been a discovery of new and important matter or evidence which after exercise of due diligence was not within the knowledge of the applicant or could not be produced by him at the time when the order was made or that there has been some mistake or error apparent on the face of the record or for any other sufficient reason:

Provided further that no such order shall be made under this sub-section unless notice has been given to all interested parties and they have been afforded a reasonable opportunity of being heard.

(2) An application for review under sub-section (1) by any party shall be made within thirty days from the date of communication of the order of the appellate authority sought to be reviewed.

*Interlocutory orders.*

94. Where an appeal is made under section 90 or where the Central Government calls for the records of a case under section 92, the appellate authority or the Central Government, as the case may be, may, in order to prevent the ends of justice being defeated, make such interlocutory orders, including an order of stay, pending the decision of the appeal or revision as such authority or the Central Government may deem fit.

## CHAPTER XII

**SOCIETIES WHICH BECOME MULTI-STATE CO-OPERATIVE SOCIETIES CONSEQUENT ON REORGANISATION OF STATES**

*Co-operative societies functioning Immediately before re-organisation of States.*

95. (1) Where by virtue of the provisions of Part II of the States Reorganisation Act, 1956 (37 of 1956) or any other enactment relating to reorganisation of States, any co-operative society which immediately before the day on which the reorganisation takes place, had its objects confined to one State becomes, as from that day, a multi-State co-operative society, it shall be deemed to be a multi-State co-operative society registered under the corresponding provisions of this Act and the bye-laws of such society shall, in so far as they are not inconsistent with the provisions of this Act, continue to be in force until altered or rescinded.

(2) If it appears to the Central Registrar or any officer authorised in this behalf by the Central Government (hereafter in this section referred to as the authorised officer) that it is necessary or expedient to reconstitute or reorganise any society referred to in sub-section (1), the Central Registrar or the authorised officer, as the case may be, may, with the previous approval of the Central Government, place before a meeting of the general body of that society, held in such manner as may be prescribed, a scheme for the reconstitution or reorganisation, including proposals regarding—

(a) the formation of new multi-State co-operative societies and the transfer thereto in whole or in part, of the assets and liabilities of that society, or

(b) the transfer, in whole or in part, of the assets and liabilities of that society to any other multi-State co-operative society in existence immediately before the date of that meeting of the general body (hereafter in this section referred to as the existing multi-State co-operative society).

(3) If the scheme is sanctioned by a resolution passed by a majority of the members present at the said meeting, either without modifications or with modifications to which the Central Registrar or the authorised officer agrees, he shall certify the scheme and upon such certification, the scheme shall, notwithstanding anything to the contrary contained in any law, regulation or bye-laws for the time being in force, be binding on all the societies affected by the scheme, as well as the share-holders and creditors of all such societies.



(4) If the scheme is not sanctioned under sub-section (3), the Central Registrar or the authorised officer may refer the scheme to such Judge of the appropriate High Court, as may be nominated in this regard to the scheme shall be final and shall be binding on all the societies affected by the scheme as well as the shareholders and creditors of all such societies.

*Explanation.*—In this sub-section, "appropriate High Court" means the High Court within the local limits of whose jurisdiction the principal place of business of the multi-State co-operative society is situated.

(5) Notwithstanding anything contained in this section, where a scheme under sub-section (2) includes any proposal regarding the transfer of the assets and liabilities of any multi-State co-operative society referred to in clause (b) thereof, the scheme shall not be binding on such multi-State co-operative society or the shareholders and creditors thereof, unless the proposal regarding such transfer is accepted by that multi-State co-operative society by a resolution passed by a majority of the members present at a meeting of its general body.

### CHAPTER XIII

#### OFFENCES AND PENALTIES

##### *Offences.*

96. (1) A multi-State co-operative society or an officer or member thereof wilfully making a false return or furnishing false information, or any person wilfully or without any reasonable excuse disobeying any summons, requisition or lawful written order issued under the provisions of this Act, or wilfully not furnishing any information required from him by a person authorised in this behalf under the provisions of this Act, shall be punishable with fine which may extend to two hundred rupees:

(2) Any employer who without sufficient cause, fails to pay to a multi-State co-operative society the amount deducted by him under section 58 within a period of fourteen days from the date on which such deduction is made, shall, without prejudice to any action that may be taken against him under any other law for the time being in force, be punishable with fine which may extend to five hundred rupees.

(3) Any officer or custodian who wilfully fails to hand over custody of books, accounts, documents, records, cash, security and other property belonging to a multi-State co-operative society of which he is an officer or custodian, to a person entitled under section 49, section 67, section 68,

section 69 or section 80 shall be punishable with fine which may extend to two hundred rupees and in the case of a continuing breach, with a further fine which may extend to five hundred rupees for every day during which the breach is continued after conviction for the first such breach.

*Cognizance of offences.*

97. (1) No court interior to that of a Metropolitan Magistrate or a Judicial Magistrate of the first class shall try any offence under this Act.

(2) No prosecution shall be instituted under this Act without the previous sanction of the Central Registrar and such sanction shall not be given without giving to the person concerned a reasonable opportunity to represent his case.

**CHAPTER XIV**

**MISCELLANEOUS**

*Copy of Act, rules and bye-laws, etc., to be open to inspection.*

98. Every multi-state co-operative society shall keep a copy of this Act, the rules and its bye-laws and also a list of its members, open to inspection free of charge at all reasonable times at the registered address of the society.

*Power to exempt multi-State co-operative societies  
from conditions as to registration.*

99. (1) Notwithstanding anything contained in this Act, the Central Government may, by general or special order, for reasons to be recorded therein, and subject to such conditions, if any, as may be specified therein exempt any multi-State co-operative society or class of such societies from any of the requirement of this Act relating to registration.

(2) (a) The Central Government may, by general or special order and for reasons to be recorded therein,—

(i) exempt any multi-State co-operative society or any class of such societies from any of the provisions of this Act or of the rules; or

(ii) direct that such provisions shall apply to such society or class of societies with such modifications not affecting the substance thereof as may be specified in the order:

Provided that no order shall be made under sub-clause (ii) so as to prejudice the interests of such society or class of such societies without a

reasonable opportunity being given to make representation in the matter.

(b) Every order made under clause (a) shall be published in the Official Gazette.

*Liquidator to be public servant.*

**100.** Any person appointed as liquidator under the provisions of this Act shall be deemed to be a public servant within the meaning of section 21 of the Indian Penal Code (45 of 1860).

*Notice necessary in suits.*

**101.** No suit shall be instituted against a multi-State co-operative society or any of its officers in respect of any act touching the constitution, management or the business of the society until the expiration of ninety days next after notice in writing has been delivered to the Central Registrar or left at his office, stating the cause of action, the name, description and place of residence of the plaintiff and the relief which he claims, and the plaint shall contain a statement that such notice has been so delivered or left.

*Certain Acts not to apply.*

**102.** (1) The provisions of the Companies Act, 1956 (1 of 1956) and the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969) shall not apply to multi-State co-operative societies.

(2) The multi-State co-operative societies registered or deemed to be registered under the provisions of this Act shall not indulge in monopolistic and restrictive trade practices, as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969).

*Savings of existing multi-State co-operative societies.*

**103.** (1) Every multi-State co-operative society existing immediately before the commencement of this Act which has been registered under the Co-operative Societies Act, 1912 (2 of 1912) or under any other Act relating to co-operative societies in force, in any State or in pursuance of the provisions of the Multi-unit Co-operative Societies Act, 1942 (6 of 1942), shall be deemed to be registered under the corresponding provisions of this Act, and the bye-laws of such society shall, in so far as they are not inconsistent with the provisions of this Act, or the rules, continue to be in force until altered or rescinded.

(2) All appointments, rules and orders made, all notifications and notices issued and all suits and other proceedings instituted under any of the Acts referred to in sub-section (1) shall, in so far as they are not inconsistent

with the provisions of this Act, be deemed to have been respectively made, issued and instituted under this act, save that an order made cancelling the registration of a multi-State co-operative society shall be deemed, unless the society has already been finally liquidated, to be an order made under section 77 for its being wound up.

*Power to amend Second Schedule.*

**104. (1)** If the Central Government is satisfied that any multi-State co-operative society should be designated as a national co-operative society or any national co-operative society specified in the Second Schedule should be omitted from the said Schedule, it may, by notification, amend the said Schedule so as to include therein such multi-State co-operative society or exclude therefrom such national co-operative society, and thereupon the said Schedule shall be deemed to have been amended accordingly.

(2) A copy of every notification made under sub-section (1) shall be laid before each House of Parliament as soon as may be after it is made.

*Bar of jurisdiction of courts.*

**105. (1)** Save as otherwise provided in this Act, no court shall have jurisdiction in respect of—

(a) the registration of a multi-State co-operative society or its bye-laws or of an amendment of the bye-laws;

(b) the removal of board of directors;

(c) any dispute required under section 74 to be referred to the Central Registrar; and

(d) any matter concerning the winding up and the dissolution of a multi-State co-operative society.

(2) While a multi-State co-operative society is being wound up, no suit or other legal proceedings relating to the business of such society shall be proceeded with or instituted against the liquidator or against the society or any member thereof, except by leave of the Central Registrar and subject to such terms and conditions as he may impose.

(3) Save as otherwise provided in this Act, no decision or order made under this Act shall be questioned in any court.

*Powers of civil court.*

**106. (1)** In exercising the functions conferred on him by or under this Act, the Central Registrar, or any other person deciding a dispute under section 76 and the liquidator of a multi-State co-operative society and a

person entitled to audit, inspect or hold an inquiry under this Act, shall have all the powers of a civil court, while trying a suit under the Code of Civil Procedure, 1908 (5 of 1908), in respect of the following matters, namely:

- (a) summoning and enforcing the attendance of any person and examining him on oath;
- (b) requiring the discovery and production of any document;
- (c) proof of facts by affidavits; and
- (d) issuing commissions for examination of witnesses.

(2) In the case of an affidavit, any officer appointed by the Central Registrar, or any other person deciding a dispute or the liquidator, as the case may be, may administer oath to the deponent.

#### *Indemnity.*

**107.** No suit, prosecution or other legal proceedings shall lie against the Central Registrar or any person subordinate to him or acting on his authority or against any other person, in respect of anything in good faith done or purporting to have been done under this Act.

#### *Opening of branches.*

**108. (1)** Notwithstanding anything contained to the contrary in any law relating to co-operative societies in force in a State, a multi-State co-operative society, not being a co-operative bank, may open branches or places of business in any place in India.

(2) Where a multi-State co-operative society opens branches or places of business in any State under sub-section (1), the Registrar of Co-operative Societies in such State shall not exercise any jurisdiction in relation to such branches or places of business nor shall call for any returns or information there- from.

#### *Power to make rules.*

**109. (1)** The Central Government may, by notification, make rules to carry out the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

- (i) the form to be used, the particulars to be given and the conditions to be complied with in the making of applications under section 6 for the registration of a multi-State co-operative society and the procedure in the matter of such applications;

(ii) the number of the applicants and the manner in which the order of refusal to register a multi-State co-operative society and its bye-laws shall be communicated under sub-section (2) of section 7;

(iii) the manner in which the order of refusal to register any amendment of the bye-laws shall be communicated under sub-section (4) of section 9 and section 18;

(iv) the procedure and conditions for change in the extent of the liability of a multi-State co-operative society under section 13;

(v) the matters in respect of which a multi-State co-operative society may make bye-laws and the procedure to be followed in making, altering and abrogating bye-laws under section 9 or section 18 and the conditions to be satisfied prior to such making, alteration or abrogation;

(vi) the conditions to be complied with under section 19 by persons applying for admission as members, for the election and admission of members and the payment to be made and the interest to be acquired before the exercise of the right of membership;

(vii) the number of individuals who may be admitted as members of the National Co-operative Union of India Limited, New Delhi as required by section 19 and their qualifications;

(viii) the withdrawal and expulsion of members and the payments, if any, to be made to members who withdraw or are expelled and the liability of past members or the estates of deceased members;

(ix) the votes of members, as required by section 22;

(x) the maximum number of shares of a multi-State co-operative society which may, subject to the provisions of section 24, be held by a member;

(xi) the constitution and powers of a smaller body representing the general body under section 29;

(xii) general meeting of the members under section 30, the period within which such meeting be called and the procedure at such meetings and the powers to be exercised by such meetings;

(xiii) the proportion of individuals and multi-State co-operative societies in the constitution of the board of directors and the general body under section 32;

(xiv) the election of members of the boards under section 35 and nomination of members to such boards under section 41, the appointment

or election of officers and the powers to be exercised and the duties to be performed by the boards and other officers;

(xv) the restrictions and conditions subject to which honorarium may be paid under section 38 to the elected chairman or president of the board of directors for services rendered;

(xvi) the additional measured and acts which may be taken or, as the case may be, done by the board under section 42;

(xvii) the number of meetings of the board, the venue of such meetings and the number of committees or sub-committees for purposes of sections 43 and 46;

(xviii) the appointment and regulation of work entrusted to persons replacing the board in pursuance of section 48;

(xix) the constitution of a body of persons under section 50 for the preparation of a list of persons eligible for appointment to the posts of Chief Executives and other management posts in national co-operative societies and the amount of the maximum pay-scale applicable to such posts;

(xx) the recruitment, remuneration, allowances and other conditions of service of officers and other employees of national co-operative societies under section 50;

(xxi) prohibiting a multi-State co-operative society from electing a defaulting member, or a representative of defaulting member society, on its board;

(xxii) the returns to be submitted by a multi-State co-operative society to the Central Registrar, the persons by whom and the form in which such returns shall be submitted and in case of failure to submit any such returns, the levy of expenses of preparing it;

(xxiii) the persons by whom and the form in which copies of entries in books of multi-State co-operative societies may be certified under section 56 and the charges to be levied for the supply of such copies;

(xxiv) the terms and conditions on which the Central Government may make share-capital contribution or give financial or other assistance to multi-State co-operative societies under section 59 and the terms and conditions on which the Central Government may guarantee the payment of the principal or interest on debentures issued by multi-State co-operative societies or loans or deposits raised by them;

(xxv) the procedure to be followed in proceedings before the Central Registrar or other persons deciding disputes including the appointment of a guardian for a party to the dispute who is a minor or who, by reason of unsoundness of mind or mental infirmity, is incapable of protecting his interests, and the levy of expenses relating to such proceedings;

(xxvi) the mode in which the value of a deceased member's share or interest shall be ascertained and the nomination of a person to whom such share or interest may be paid or transferred;

(xxvii) the payments to be made and conditions to be complied with by members applying for loans, the period for which any loans may be made and the maximum amount which may be lent to any members;

(xxviii) the formation and maintenance of reserve funds and other funds under section 61 and the objects to which such funds may be applied, and the investment of any funds under the control of a multi-State co-operative society under section 62;

(xxix) the conditions under which profits may be distributed under section 61 to the members of a multi-State co-operative society and the maximum rate of dividend which may be paid by multi-State co-operative societies;

(xxx) the prohibitions and restrictions subject to which multi-State co-operative societies may, under section 65, transact business with persons who are not members;

(xxxi) the accounts and books to be kept by a multi-State co-operative society and the audit of such accounts and the charges, if any, to be made for such audit under section 67 and the periodical publication of a balance-sheet showing the assets and liabilities of a multi-State co-operative society;

(xxxii) the calculation and writing off of bad debts by multi-State co-operative societies;

(xxxiii) the appointment of persons for settlement of disputes under section 76;

(xxxiv) the procedure to be followed by a liquidator appointed under section 80 in respect of provisions of section 81;

(xxxv) the manner in which the surplus assets may be divided amongst the members of the multi-State co-operative society under section 82;



- (xxxvi) the procedure for execution of decisions under section 85;
- (xxxvii) the procedure to be followed in presenting and disposing of appeals under section 90;
- (xxxviii) the issue and service of processes and for proof of service thereof;
- (xxxix) the manner of effecting attachment;
- (xi) the custody, preservation and sale of property under attachment;
- (xli) the investigation of claims by persons other than the defaulter to any right or interest in the attached property, and the postponement of sale pending such investigation;
- (xlii) the immediate sale of perishable articles;
- (xlili) the inspection of documents in the office of the Central Registrar or of any other officer or authority and the levy of fees for granting certified copies of the same;
- (xliv) the manner in which funds may be raised by a multi-State co-operative society or a class of multi-State co-operative societies by means of share or debentures or otherwise and the quantum of funds so raised;
- (xlv) the procedure under section 95 for reconstitution and reorganisation of societies which become multi-State co-operative societies consequent on reorganisation of a State;
- (xlvi) the method of communicating or publishing any decision or order required to be communicated or published under this Act or the rules;
- (xlvii) the manner and the periodicity of returns of pending cases of registration of multi-State co-operative societies and amendments of bye-laws to be sent by the Central Registrar to the Central Government;
- (xlviii) any other matter which is required to be, or may be prescribed.

(3) Every rule made under this section shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification to the rule or both Houses agree that the rule should not be made, the rule shall thereafter have

effect only in such modified form or be of no effect as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

*Repeal.*

- 110.** The Multi-unit Co-operative Societies Act, 1942 (6 of 1942) is hereby repealed.

**THE FIRST SCHEDULE**

[See section 3 (f)]

*Co-operative principles*

1. Membership of a multi-State co-operative society (hereafter in this Schedule referred to as the society) should be voluntary and open, without any social, political, or religious discrimination, to all persons who can make use of its services.

2. In a society other than that with institutional membership, individual member should enjoy equal rights of voting—one member, one vote.

3. (i) Surplus or savings, if any, arising out of the operations of the society belong to the society as a whole, and no individual member has a claim to the surplus.

(ii) The surplus should be utilised for all or any of the following purposes, namely:—

- (a) providing for development of the business of the society;
- (b) providing services for the common enjoyment of members;
- (c) distribution among the members in proportion to their transactions with the society.

4. The society should undertake education of its members, office-bearers and employees and the general public regarding the principles and practice of co-operation.

5. The society should actively co-operate in every practical way with other co-operative societies at local, national or international levels.

6. The share capital of a society shall receive strictly limited rate of interest (that is to say dividend).

7. The affairs of a society should be administered by the management in accordance with democratically expressed will of the members.

8. The management of the society is accountable to its own members.

**THE SECOND SCHEDULE**

[See sections 3 (m) and 104]

*List of national co-operative societies*

1. National Co-operative Land Development Banks Federation Limited, Hyderabad.
2. National Federation of State Co-operative Banks Limited, Bombay.
3. National Co-operative Union of India Limited, New Delhi.
4. National Agricultural Co-operative Marketing Federation of India Limited, New Delhi.
5. National Co-operative Consumers' Federation of India Limited, New Delhi.
6. National Federation of Co-operative Sugar Factories Limited, New Delhi.
7. National Federation of Industrial Co-operatives Limited, New Delhi.
8. National Co-operative Housing Federation Limited, New Delhi.
9. Indian Farmers' Fertiliser Co-operative Limited, New Delhi.
10. All India Federation of Co-operative Spinning Mills Limited, Bombay.
11. All India Industrial Co-operative Banks' Federation Limited, Bangalore.
12. National Co-operative Dairy Federation of India Limited, New Delhi.
13. Petrofils Co-operative Limited, New Delhi.
14. National Heavy Engineering Co-operative Limited, New Delhi.
15. The All India Handloom Fabrics Marketing Co-operative Society Limited, Bombay.
16. The National Federation of Urban Co-operative Banks and Credit Societies Limited, New Delhi.
17. Krishak Bharati Co-operative Limited, New Delhi.
18. National Federation of Fishermen's Co-operative Limited, Bombay.
19. National Federation of Labour Co-operatives Limited, New Delhi.
20. National Co-operative Tobacco Growers, Federation Limited, Anand.

# INDONESIA

## THE LAW ON THE BASIC REGULATIONS FOR COOPERATIVES (Law No. 12 Year 1967)

### CHAPTER 1

#### **Article 1** *General Provisions*

As used in this Law and unless a different meaning is intended in the context,

"Cooperative (Society)": means an economic organisation of the people as referred to in Chapter III under article 3, incorporated in accordance with the regulations as provided in Chapter XII under article 44 of this Law.

"Cooperatives" means all aspects of the Movement and life of the cooperative societies including the ideology, organisation and business.

"Minister": means the Minister with responsibility for Cooperatives.

"Administrator" : means the Official appointed by the Minister or Government and exercising specific powers on Cooperatives as may have been conferred upon him by the Minister.

### CHAPTER 2

#### **Article 2** *Ideological basis*

(1) The ideological basis of the Cooperatives in Indonesia shall be: "Pancasila".

(2) The structural basis of the Cooperatives in Indonesia shall be the Constitution (1945) and the operational basis shall be article 33 sub (1) and its official elucidation concerned of the Constitution.

(3) The mental basis of the Cooperatives in Indonesia shall be "solidarity" and "individuality".

### CHAPTER 3

## Definition and Function

#### Section 1

#### **Article 3** *Definition of Cooperatives*

The Cooperatives in Indonesia shall be an economic organisation of the people with a social content (character), having persons or legal cooperative

societies as members, forming an economic entity as a collective endeavour based upon mutual help.

#### Section 2

#### **Article 4** *Function Cooperatives*

The function of the Cooperatives shall be:

- (1) as a battle organ in the economic sector for the upheavel of the welfare-standard of the people;
- (2) for the democratisation of national economy;
- (3) as one of the dominant unit of the economy of the Indonesian people;
- (4) as an instrument for inspiring the masses in pursuance of a stable national economy and encouraging the unity of the people to organize the management of the economy of the people.

### CHAPTER 4

#### **The Basic Values and Basic Cooperative Principles**

#### Section 3

#### **Article 5** *The basic values of Cooperatives*

The basic values of Cooperatives in Indonesia shall be mutual help and collective endeavour.

#### Section 4

#### **Article 6** *The Basic Cooperative Principles*

The Basic Cooperative Principles shall be:

- (1) voluntary membership and open to all Indonesian citizens;
- (2) the supreme authority shall be the general assembly of members;
- (3) the division of surpluses shall be executed in proportion of the social transactions and services by the members in the cooperatives;
- (4) the interest on capital shall be limited;
- (5) to develop the welfare of the members in particular and the community in general;
- (6) the conduct of business and management shall be open;
- (7) selfhelp, self-activity and selfsupport shall be the essential features of the cooperative spirit in the achievement of selfreliance and selfconfidence

## CHAPTER 5

### The Role of Cooperatives

#### Article 7

The cooperatives in Indonesia in pursuance of the economic development and the welfare of the members in particular and the community in general, shall have the following role to fulfil :

- (1) to unite, to encourage, to organize and to develop the potential, creative and auto-activity of the people for the achievement of the increase of production and equitable income as well as the optimum welfare of the people;
- (2) to increase the living standard and the intelligence of the people;
- (3) to achieve in a direct sense the development of an economic democracy;

#### Article 8

In pursuance of above mentioned role and function, the Cooperatives in Indonesia may enter into cooperation with the Public and Private Sector.

Above mentioned cooperation shall be organised and directed without any violation of the cooperative basic principles.

Further regulations shall be promulgated by the Government.

## CHAPTER 6

### Membership, Responsibility and Right of the Members

#### Article 9

- (1) The membership of the Cooperative shall comprise of persons or cooperative legal bodies;
- (2) The membership shall be proven by the entry in the members' register which shall be kept in good order by the Board of Directors in conformity with the stipulations as shall be prescribed by the "Administrator";

#### Article 10

Any citizen of Indonesia, who:

- (a) is legally capable to contract;
- (b) complies with and adheres to the ideological basis and basic cooperative principles;
- (c) is capable and prepared to fulfil the duties and rights as a member, as stipulated in the Law, the Bylaw, Rules and other regulations of the society;

shall be eligible for membership.

**Article 11**

- (1) Membership of the society shall be based upon mutual interests in pursuance of the objects of the cooperative;
- (2) Membership of the society may be obtained or terminated upon fulfilling the requirements as stipulated in the Bylaw;
- (3) Membership shall not be transferable to anyone and by any reason.

**Article 12**

Every member of the society shall have the equal duties and responsibilities in:

1. abiding:
  - (a) the ideological basis, the basic principles of cooperation;
  - (b) the act, the rules, bylaws and other regulations of the society;
  - (c) stipulations and resolutions adopted by the general meeting;
2. attending and actively participating in the general members' meeting.

**Article 13**

Every member shall enjoy the equal right:

1. to attend the members' meeting and the right to express his views therein;
2. to elect and to be elected as a member of the Board of Directors/Board of Supervision;
3. to call upon a members' meeting in conformity with the regulation in the bylaws;
4. to propose and express his views to the Board of Directors outside the meeting, either requested or not requested;
5. to receive equal services among other members;
6. to apply control at the current conduct of organisation and the business of the society according to the provisions in the Bylaw.

**CHAPTER 7**

**Organisation and Type of Cooperatives**

Section 5

**Article 14** *Organisation*

- (1) Any twenty or more persons fulfilling the requirements stipulated under article 10 may incorporate under this Law;
- (2) If the required number of persons as prescribed in sub (1) of this article

cannot be complied with, the Minister may provide otherwise;

#### **Article 15**

- (1) If deemed necessary and for the benefit of efficiency, cooperative societies may centralise themselves and incorporate into secondary societies;
- (2) Primary societies and secondary societies and any other societies to be formed by these societies as referred to in sub (1) of this article form one inseparable unit;
- (3) Secondary and any other higher societies shall have the obligation and right to guide and supervise the other (lower) societies;
- (4) The relationship among societies of different stages (tiers) of organisation of the same kind/type of cooperatives shall be regulated in the bylaw concerned;
- (5) The Minister shall further provide the requirements referred to in sub (1) of this article.

#### **Article 16**

- (1) The operational area of the Society shall be in concurrence with the area of Administration whereas full consideration shall be rendered to the economic demand of interest of the society;
- (2) In the event that the requirement referred to in sub (1) of this article cannot be met, the Minister may provide otherwise;

### Section 6

#### **Article 17** *Types of cooperation*

- (1) The type of cooperatives shall be based upon the demand and for the benefit of efficiency in favour of a homogeneous group in a community, there to driven by common activity/interest in pursuance of the common aim of the members;
- (2) For the benefit of efficiency and an orderly development of the cooperative movement (within one and the same area of operation) there shall be only one society of the same type and degree;
- (3) If the requirement referred to in sub article (2) cannot be executed, the Minister may provide otherwise;

#### **Article 18**

- (1) Societies of various types may incorporate into another kind of type in pursuance of some economic aim;
- (2) A Cooperative Union, in pursuance of the aims and objects and to promote the interest of the Cooperative Movement in Indonesia, shall be formed; its organisation shall be one and only;



- (3) The Minister shall register the organisation referred to in sub article (2) and recognize in as a legal body (a body corporate).
- (4) The organisation referred to in sub article (3) shall not involve itself with economic activities in a direct sense.

## **CHAPTER 8**

### **The Government of Cooperatives**

#### **Article 19**

- (1) The government of cooperatives shall consist of:
  1. The general members' Assembly;
  2. The Board of Directors;
  3. The Board of Supervision;
- (2) If required, the Society may make provisions for an Advisors' Board.

#### Section 7

#### **Article 20** *General members' assembly*

- (1) The supreme authority in a society shall be vested in the general members' assembly;
- (2) Resolutions of the assembly shall be decided with the utmost possibility as a general consensus of opinion. In case the latter may not be attained, resolutions shall be decided by voting;
- (3) In case of voting, each member is entitled to have only one vote in the assembly;
- (4) In secondary societies (and other societies of which the members are cooperative societies) the administration of voting shall be conducted in proportion to the amount of members as shall be provided in the respective bylaw;
- (5) There shall be no attendance and voting by proxy in the general assembly;

#### **Article 21**

The General members' assembly shall have to decide upon:

1. the bylaw;
2. the general policy of conduct of business of the society and the execution of resolutions decided by secondary societies;
3. the election/appointment/dismissal of the Board (members) of Directors, the Board of Supervision and Advisors' board of the Society;
4. the operational plan, the estimate of revenue, the adoption of the balance-sheet, the general conduct of business and management.

## Section 8

### **Article 22** *Board of Directors*

- (1) The Board of Directors shall be elected out of, and by the members in a general members' meeting, whereas in secondary societies the board shall be elected out of the members of the society;
- (2) The requirements for election as members of the Board are:
  - (a) honest of character and efficient in management of business;
  - (b) other provisions as may be stipulated in the bylaw;
- (3) In the event that the general assembly fails to elect the members of the Board completely out of the members of the society, the assembly is authorized to elect in order to be appointed as members of the Board those who are not members, provided however that the number of the latter shall not exceed one third of the total number of the members of the Board;
- (4) The term of office of the Board shall be laid down in the bylaw, provided however that it shall not exceed the period of 5 (five) years;

### **Article 23**

- (1) The duties and responsibilities of the Board of Directors shall be to conduct the administration and management of the business of the society, to act for the society and shall be responsible to it for the performance of its duties, and to represent the society, within and outside the court;
- (2) The Board shall be entitled to appoint one or more persons to execute the daily performances of business of the society;
- (3) The Board shall be responsible to and shall be obliged to report to the General assembly regarding:
  - a. all matters relating to the conduct of business of the society;
  - b. all reports of audit or inspection concerning the organisation of the society; it shall be incumbent upon the Board to submit copies of the reports by the Supervisors to the Administrator;
- (4) Every member of the Board of Directors shall have to render cooperation and goodwill to the Administrator in the performance of his duties; for that purpose he shall be obliged to supply every information required by the Administrator and to show all books and files, financial equipment, stock of goods and inventory included within the assets of the society;
- (5) This Board of Directors shall have to convene an annual general assembly meeting according to regulations as the bylaw may prescribe;
- (6) The Board of Directors shall have to keep a Register of the members of the Board of Directors according to the regulations as the Administrator

may prescribe;

- (7) The Board of Directors shall have to maintain the good sphere of cooperation among the members and shall have to serve the members in conformity with sub (4) and sub (6) of article 13;

#### **Article 24**

The members of the Board of Directors shall be entitled to act to perform their duties in the interest of the Societies, in conformity with their responsibilities and the resolutions of the General members' Assembly.

#### **Article 25**

- (1) The members of the Board of Directors, shall in the discharge of their respective duties be individually or collectively accountable for the loss incurred by the society because of dereliction of their duty or intentionally caused by them.
- (2) In case of any dereliction of duty, which include the duties of several members of the Board, the respective members shall be collectively held liable.
- (3) Any member of the Board shall be exempted from any liability, in so far he can prove his innocence and that he has endeavoured to prevent the cause of the loss immediately and sufficiently.
- (4) Any member of the Board who shall be liable for any loss incurred by the society because of malice (prepnence) may be sued through the Court for indemnification.
- (5) Every member of the Board shall be expected to be aware of the stipulations in sub (1) of this article.

Regarding the effect of the stipulations of sub (1) under this article, every member of the Board shall be expected to be aware if anything that he ought to be aware of.

#### **Article 26**

If a member of the Board who shall be sued for any loss as being regarded within his liability, can prove that the incurred loss is only partly owing to his dereliction, the Court may after having taken these factors into consideration, contrary to the provisions in sub (2) of article 25, decide otherwise.

### **Section 9**

#### **Article 27 Board of Supervision**

- (1) The members of the Board of Supervision shall be elected out of and by the members in a general members' meeting.
- (2) The membership of the Board of Supervision shall be incompatible with the membership of the Board of Directors.

- (3) The provisions regulating the Board of Directors referred to under article 22 with the exception of the provisions under sub (3) fully apply to the Board of Supervision.

**Article 28**

The Board of Supervision shall have the following function:

1. to audit and inspect the conduct of the society, including the organisation, business and the execution of general policy of the Board of Directors.
2. to submit a written report on the results of Audit and Inspection;

**Article 29**

The Board of Supervision shall be entitled at any time to:

1. verify all entries and records and correspondence relating all assets and liabilities;
2. collect from anyone any information required.

**Article 30**

- (1) The Board of Supervision shall be obliged to keep every result of audit or inspection a secret toward third parties.
- (2) The Board of Supervision shall render account and shall be responsible to the General members' meeting.

**CHAPTER 9**

**Economic Activity, Capital and Net Surplus**

Section 10

**Article 31** *Economic activity*

The field of activity of the cooperatives shall be production and other economic fields in accordance with article 33 of the Constitution of Indonesia (1945) and its memorandum of explanation.

Section 11

**Article 32** *Capital and Net Surplus*

- (1) The Capital of the Society shall consist of and shall be accumulated from savings, loans, retentions from the net surplus, including reserve funds, and any other financial resources.
- (2) The savings of members in a Society, consist of:
  - (a) initial savings
  - (b) obligatory savings
  - (c) voluntary savings

- (3) Voluntary savings may be accumulated from non members.

**Article 33**

- (1) Initial savings shall not be withdrawn as long as the holder remains a member.
- (2) Obligatory savings may be withdrawn accordance the procedure further prescribed in the bylaws, rules and other resolutions by the General members' assembly, after considering the interests of the society.

**Section 12**

**Article 34** *Apportionment of net surplus*

- (1) The net surplus of the society shall be the difference between the income received or accrued during the book year and the total of expenditure made or accrued during the year and provisions and allowance of depreciation.
- (2) Net surplus shall originate from the activities with members and non-members.
- (3) Net surplus originating out of activities with members shall be allocated for the following purposes:
  - (a) Reserve fund of the society.
  - (b) Members' dividend in proportion to the services rendered.
  - (c) Fund for the Board of Directors.
  - (d) Fund for employees/workers
  - (e) Fund for Educational purposes
  - (f) Fund for Social purposes
  - (g) Fund for Community Development in the operational area.
- (4) Net surplus originating out of activities with non-members, shall be allocated for the following purposes:
  - (a) Reserve fund of the society
  - (b) Fund for the Board of Directors
  - (c) Fund for employees and workers
  - (d) Fund for Educational purposes
  - (e) Fund for Social purposes
  - (f) Fund for Community Development in the operational area.
- (5) The size of apportionment as prescribed in sub article (3) and (4) shall be regulated in the bylaws.
- (6) The disposal of the net surplus as prescribed in sub articles (3) and (4) with the exception of the reserve fund shall be regulated in the bylaws with full consideration of the interests of the society.

**Article 35**

- (1) The cooperative society shall be entitled to regulate the accumulation and disposal of the reserve fund in accordance with the provisions in the bylaws.
- (2) In case of dissolution, the net surplus after eventual losses and expenses of liquidation have been covered, shall be devoted to other cooperative societies or to other bodies with the same aim or objects as the Cooperative Society.

**CHAPTER 10****Liability of Members****Article 36**

- (1) The liability of a member shall be the obligation to participate collectively in the losses of the societies, either at the closing of the book year or at liquidation.
- (2) The liability of the members may be either limited or unlimited, and shall be regulated in the bylaws accordingly.
- (3) In case of limited liability, every member shall be liable for any debts of the society up to a limited maximum amount as specified in the bylaw.
- (4) In case of dissolution, the liability of a past member for the loss and debts of the society as they existed on the date on which he ceased to be a member shall not continue for a period of more than twelve months.
- (5) In case there are liable members who are not in the position to pay either partly or wholly as required in sub article (1) and (2) of this article, the other members shall be liable collectively and equally.

**CHAPTER 11****The Role of Government****Article 37**

It shall be competent for the Government to render guidance, inspection, protection and facilities in favour of the Cooperatives and enable the cooperative movement in the materialization of the requirements of article 33 of the Constitution and its explanatory memorandum.

**Article 38**

- (1) In pursuance of article 37, and without curtailing the rights and duties of the cooperatives and without effect on their independence, the Government shall promulgate regulations to formulate and carry out of policy on developing, guidance, rendering facilities, protection and inspection of all activities of the Cooperatives.

- (2) The Minister shall appoint the Administrator and stipulate the limit of competence of the latter in empowering him with the task of development, guidance and inspection.
- (3) The Administrator may at any time attend and take part in the deliberations of the meeting of the Board of Directors and the General members' assembly. In extraordinary cases, the Administrator is entitled to summon a general members' meeting, to fix the agenda and to participate in the deliberations.

#### **Article 39**

The Administrator shall be entitled to audit the cooperatives or cause to be audited by some person or body authorised by him. The Administrator and or the Auditor shall be obliged to keep all results of audit a secret.

#### **Article 40**

Credit from the Government and the obligation to pay tax by Cooperatives shall be regulated by special legislation while considering the function of Cooperatives and the special features embodied in those societies.

## **CHAPTER 12**

### **The Legal Status of Cooperatives**

#### **Section 13**

#### **Article 41**

Cooperative Societies, of which the bylaws are constituted in compliance with the regulations of this Law, shall be legal bodies (bodies corporate).

#### **Article 42**

- (1) The Minister shall be vested with the powers of incorporating cooperative societies.
- (2) The Minister may devolute his powers of incorporating the Administrator.

#### **Article 43**

- (1) The incorporation referred to under article 41 shall be stated in the charter of bylaws, the constitution of which shall not be in contravention with this Law.
- (2) The Minister shall prescribe as a guidance the basic requirements and the provisions for the bylaws to contain.

## Section 14

**Article 44** *The procedure of incorporation*

- (1) For the purpose of incorporation, the founders of the society shall submit the memorandum (charter) of association, in two fold one of which duly stamped to the Administrator, accompanied by the extract of minutes of the meeting of memorandum, stating the number of (prospective) members, and the names of those authorized to sign the memorandum.
- (2) On receipt of the charter of association the Administrator shall issue a certificate of receipt duly dated to the founders of the Society.
- (3) If the Administrator is satisfied that a society has complied with the provisions of this Law, he shall register the charter of association and its bylaws in the "General Register of Societies" which shall be kept for that purpose by the Administrator.
- (4) The date of registration of the charter shall prevail as the date of memorandum (foundation) of the Society.
- (5) Both charters referred to under sub (1) of this article shall be duly dated, numbered and authenticated by signature of the Administrator on behalf of the Minister. One charter shall be deposited at the office of the Administrator whereas the other charter duly stamped shall be forwarded to the society.
- (6) In case of difference in contents in both charters of the registered society, the charter deposited at the office of the Administrator shall be valid.
- (7) The Administrator shall notify every incorporation of societies in the Official Gazette.
- (8) The General Register together with the charter of incorporation deposited at the office of the Administrator shall be open to inspection by the public; copies or excerpts shall be available on payment of the expenses.
- (9) The Minister may provide exemptions on the stamp duties for the charter of associations as referred to under sub (1) of this article.

**Article 45**

Since the date of registration as prescribed under article 44 sub (3), the Society concerned shall be a body corporate by the name under which it is registered; all rights, responsibilities and agreements concluded on behalf of the Society before the date of registration shall succeed to the registered Society with effect from the date of registration.

**Article 46**

- (1) The Administrator shall have to register a Society within 6 (six) months



since the receipt of application for registration as prescribed under article 44.

- (2) If the Administrator is not prepared to register a society, he shall have to acknowledge consequently within 3 (three) months prior to the expiration of the period stipulated under sub (1) of this article. The acknowledgement has to be accompanied by the specific reasons for his refusal and has to be forwarded by registered post or by any other justified means to the applicants for registration. Copies of this acknowledgement have to be submitted to the Administrator (higher in rank) and to the Minister.
- (3) An appeal against the refusal by the Administrator as referred to under sub (2) of this article shall lie to the Minister within 3 (three) months from the date following the date of receipt of the refusal.
- (4) The Minister shall take a resolution at the latest 3 (three) months since the date following the date of his receipt of the request for appeal.
- (5) The resolution by the Minister shall be final and conclusive.

#### **Article 47**

- (1) In case of amendment of the bylaws, the obligation and proceedings as provided under article 44 shall apply in full; the charter of amendment together with the extracts of the minutes of the general members' meeting concerned, stating the number of members and of those present, and the names of those authorized to sign the charter of amendment, shall be submitted to the Administrator.
- (2) The provisions under article 46 shall also apply to the charter of amendment as prescribed under sub (1) of this article.

#### **Article 48**

- (1) No other societies or other economic enterprises what so ever incorporated in contravention with this Law shall carry on business under the name "cooperative", provided the Minister permits otherwise.
- (2) The provisions under (1) of this article shall not apply to Governmental organisations and scientific bodies.

### **CHAPTER 13**

## **Winding up and Dissolution of Cooperative Societies**

### **Section 15**

#### **Article 49** *The proceeding of winding up & dissolution*

- (1) The winding up of a society may be applied upon a resolution passed by the general members' meeting summoned for that purpose.

- (2) The Administrator may of his own motion make an order directing the winding up of a cooperative society:
  - (a) where the cooperative society has ceased to comply with the requirements of this Law;
  - (b) where the activities of the society have been prejudicial to the general order and social ethics;
  - (c) where further viability of the society has ceased to exist.
- (3) An appeal against the order by the Administrator to wind up a cooperative society as prescribed under (2) of this article, shall lie to the Minister.
- (4) The winding up of a cooperative society shall be instructed in writing by the Administrator, notified in the Official Gazette and stated in the General Register at the office of the Administrator where the charter of association has been registered.

#### **Article 50**

- (1) The winding up of a cooperative society as applied upon the resolution of the general members' meeting referred to under sub (1) of article 49, shall be ordered by the Administrator on receipt of the application submitted by the Board of Directors or by those authorized.
- (2) The application for winding up shall be accompanied by an extract of the minutes of the special general members' meeting concerned, stating the resolution passed by the General members' meeting for winding up the society.

#### **Article 51**

- (1) The winding up of a cooperative society ordered by the Administrator of his own motion for reasons as stated under sub (2) of article 49, shall take effect only after the expiration of the period of 3 (three) months and after he has communicated in writing by registered post or by any other justified means to the cooperative society concerned, of his intention to wind up and state his reasons for the same, and if no appeal is preferred. Copies of the order for winding up issued by the Administrator shall be submitted to the Minister and the Administrator (higher in rank).
- (2) Within 3 (three) months since the receipt of the written order issued by the Administrator as referred to under sub (1) of this article, the Board of Directors or at least one tenth of the total amount of members of the society, is entitled to prefer an appeal by writing to the Minister communicated by registered post or by any other justifiable means. Copies of this written appeal shall be submitted to the Administrator concerned.
- (3) The Minister shall have to decide as soon as possible and shall submit

his decision to the Administrator concerned, who shall have to act in accordance with the Minister's decision.

### Section 16

#### **Article 52** *Dissolution*

- (1) Upon the issuance of the order concerning the winding up of the cooperative society, the Administrator shall state the name or names of a person or persons or body who (which) has (have) been appointed subject to his direction and control, liquidator or liquidators of the society, the rights and responsibilities of which (whom) shall be further prescribed under article 53 of this Law.
- (2) The appointment of the liquidator(s) shall have to come into effect as per date of the issuance of the order by the Administrator for winding up of the Cooperative Society.
- (3) The liquidator(s) shall be responsible to the Administrator.
- (4) During liquidation, the cooperative society concerned shall remain a body corporate.

#### **Article 53**

The liquidator(s) shall have the following rights, powers and responsibilities:

1. to perform every legal action for and on behalf of the society by his name of office and to represent the same before and outside the Court;
2. to collect every information required;
3. to summon a member or members and past members referred to under article 36, either individually or collectively;
4. to determine the contribution to be made to the assets of the society by members and past members as referred to under article 36;
5. to determine by what persons and in what proportions the costs of liquidation are to be borne;
6. to arrange for the distribution of the assets of the Society in accordance to the objects or aim of the Society or in conformity with the resolution passed by the last general members' meeting or in compliance with the regulations as may have been prescribed in the bylaws;
7. to determine the deposit and the conversion (application) of all the records of the society;
8. to determine the payment of the costs of liquidation and the other debts of the society;
9. to draw up an official report on the liquidation on termination of the period of liquidation the duration of which shall be fixed by the Administrator.

## Section 17

### **Article 54** *The termination as a corporate body*

1. The Administrator shall notify in the Official Gazette on the termination of liquidation.
2. The Society shall cease to exist as a corporate body from the date of notification in the Official Gazette referred to under sub (1) of this article.

## CHAPTER 14

### **Penalties**

#### **Article 55**

- (1) Any member of the Board of Directors intentionally violating the provisions under sub (9) of article 9 or under sub (6) of article 23 shall be punished by a fine of not exceeding the sum of one hundred rupiahs.
- (2) Any person wilfully violating the provisions under sub (4) or sub (5) of article 23 shall be punished by a fine of not exceeding the sum of five hundred rupiahs (Rp) or by imprisonment for not more than fourteen days.
- (3) Any person intentionally or by reason of his negligence violation the provisions under sub (1) of article 30 or under article 39, shall be punished by a fine of not exceeding one thousand rupiahs or by imprisonment for not more than one month.
- (4) Any person or group of persons wilfully violating the provisions under article 48 shall be punished by a fine of not exceeding two thousand rupiahs or imprisonment for not more than two months.
- (5) Tresspasses convicted under sub (1), sub (2), sub (3) and sub (4) of this article shall be at the discretions of the Court constituted as offences (non criminal acts).
- (6) Other penalties of administrative character in addition to the provisions under this article may be imposed by the Minister.

#### **Article 56**

In addition to the persons qualified to investigate in accordance with the Penal Code, the Administrator as appointed under article 1 of this Law shall be entitled to investigate and to prosecute and to determine under oath of office the offences as stipulated under sub (1) up to and including sub (4) of article 55 of this Law.

**CHAPTER 15**  
**Transitional Regulations**

**Article 57**

- (1) Any Cooperative Society existing prior to the enactment of this Law shall have to adjust itself with the provisions under this Law provided that this adjustment shall take place within one year as per the date of the promulgation of this Law.
- (2) The Minister shall prescribe the regulations required under sub (1).
- (3) Every regulation in contravention with this Law shall be void.
- (4) The Minister shall have to provide the rules of this Law.

**CHAPTER 16**  
**Concluding Provisions**

**Article 58**

This Law shall be known as the "Law on the Basic Regulations for cooperatives" and shall take effect upon its date of enactment.

In order that every person shall be deemed cognisant of this Law, the promulgation of this Law in the Official Gazette of the Republik of Indonesia shall have to be instructed.

Rectified at Djakarta

Date: December 18th ,1967  
The Acting President of the  
Republic of Indonesia  
(duly signed)

SOE HARTO

Enacted at Djakarta  
Date: December 18th, 1967  
Secretary of the Cabinet  
(duly signed)  
SUDHARMONO S.H.

# PHILIPPINES

## THIRD REGULAR SESSION

*Metro Manila, July 24, 1989*

[Republic Act No. 6938]

### **An Act to Ordain a Cooperative Code of the Philippines**

*Be it enacted by the Senate and House of Representatives of the  
Philippines in Congress assembled :*

#### CHAPTER - 1

#### GENERAL CONCEPTS AND PRINCIPLES

**ART. 1. Title :** This Act shall be known as the "Cooperative Code of the Philippines."

**ART. 2. Declaration of Policy :** It is the declared policy of the State to foster the creation and growth of cooperatives as a practical vehicle for promoting self-reliance and harnessing people power towards the attainment of economic development and social justice. The State shall encourage the private sector to undertake the actual formation and organisation of cooperatives and shall create an atmosphere that is conducive to the growth and development of these cooperatives.

Toward this end, the Government and all its branches, subdivisions, instrumentalities and agencies shall ensure the provision of technical guidance, financial assistance and other services to enable said cooperatives to develop into viable and responsive economic enterprises and thereby bring about a strong cooperative movement that is free from any conditions that might infringe upon the autonomy or organisational integrity of cooperatives.

Further, the State recognizes the principle of subsidiarity under which the cooperative sector will initiate and regulate within its own ranks the promotion and organisation, training and research, audit and support services relating to cooperatives with government assistance where necessary.

**ART. 3. General Concepts :** A cooperative is a duly registered association of persons with a common bond of interest, who have voluntarily joined together to achieve a lawful common social or economic end, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in accordance with universally

accepted cooperatives principles.

**ART. 4. Cooperative Principles :** Every cooperative shall conduct its affairs in accordance with Filipino culture and experience and the universally accepted principles of cooperation which include the following:

(1) **Open and Voluntary Membership** - Membership in a cooperative shall be voluntary and available to all individuals regardless of their social, political, racial or religious background or beliefs.

(2) **Democratic Control** - Cooperatives are democratic organisations. Their affairs shall be administered by persons elected or appointed in a manner agreed upon by the members. Members of primary cooperatives shall have equal voting rights on a one member one vote principal: Provided, however, that, in the case of secondary and tertiary cooperatives, the provisions of Article 37 of this Code shall apply.

(3) **Limited interest in Capital** - Share capital shall receive a strictly limited rate of interest.

(4) **Division of Net Surplus** - Net surplus arising out of the operations of a cooperative belongs to its members and shall be equitably distributed for cooperative development, common services, indivisible reserve fund, and for limited interest on capital and or patronage refund in the manner provided in this Code and in the article of cooperation and bylaws.

(5) **Cooperative Education** - All cooperatives shall make provision for the education of their members, officers and employees and of the general public based on the principles of cooperation.

(6) **Cooperation Among Cooperatives** - All cooperatives, in order to best serve the interest of their members and communities, shall actively cooperate with other cooperatives at local, national, and international levels.

**ART. 5. Definition of Terms** - The following terms shall mean :

(1) Member includes a person either natural or juridical who, adhering to the principles set forth in this Code and in the articles of cooperation, has been admitted by the cooperative as member;

(2) General Assembly shall mean the full membership of the cooperative duly assembled for the purpose of exercising all the rights and performing all the obligations and bylaws;

(3) Board of Directors shall mean that body entrusted with the management of the affairs of the cooperative under its articles of cooperation and bylaws;

(4) Committee shall refer to any body entrusted with specific functions and responsibilities under the bylaws or resolution of the general assembly or the board of directors;

(5) Articles of Cooperation means the articles of cooperation registered under this Code and includes a registered amendment thereof;

(6) Bylaws means the bylaws registered under this Code and includes any registered amendment thereof;

(7) Registrations means the operative act granting juridical personality to a proposed cooperative and is evidenced by a certificate of registration;

(8) Cooperative Development Authority means the government agencies in charge of the registration and regulation of cooperatives as such, herein-after referred to as the Authority; and

(9) Universally Accepted Principles means that body of cooperative principals adhered to worldwide by cooperatives in other jurisdictions.

## CHAPTER - 2

### Organization and Registration

**ART. 6. Organization of cooperatives** - A cooperative may be organized and registered by at least fifteen (15) persons for any or all of the following purposes:

- (1) To encourage thrift and savings mobilization among the members;
- (2) To generate funds and extend credit to the members for productive and provident purposes;
- (3) To encourage among members systematic production and marketing;
- (4) To provides goods and services and other requirements to the members;
- (5) To develop expertise and skills among its members;
- (6) To acquire lands and provide housing benefits for the members ;
- (7) To acquire lands and provide housing benefits for the members;
- (8) To promote and advance the economic, social and educational status of the members;
- (9) To establish, own, lease or operate cooperative banks, cooperative wholesale and retail complexes, insurance and agricultural industrial processing enterprises, and public markets;
- (10) To coordinate and facilitate the activities of cooperatives; and
- (11) To undertake any and all other activities for the effective and efficient implementation of the provisions of this Code.

**ART. 7. Objectives of Cooperative** - The primary objective of every cooperative is to provide goods and services kto its members and thus



(4) Four (4) copies each of the proposed articles of cooperation, bylaws, and the general statement required under Article 11 of this Code shall be submitted to the Cooperative Development Authority.

(5) No cooperative shall be registered unless the articles of cooperation is accompanied with the bonds of the accountable officers and a sworn statement of the treasurer elected by the subscribers showing that at least twenty-five per centum (25%) of the authorized share capital has been subscribed and at least twenty-five for centum (25%) of the total subscription has been paid: Provided, that in no case shall the paid-up share capital shall be less than Two thousand pesos (P 2,000.00).

**ART. 15. Bylaws-** (1) Each cooperative to be registered under this Code shall adopt bylaws not inconsistent with the provisions of this Code. The bylaws shall be filed at the same time as the articles of cooperation.

(2) The bylaws of each cooperative shall provide:

- (a) The qualifications for admission to membership and the payment to be made or interest to be acquired as a condition for the exercise of the right of membership;
- (b) The rights and liabilities of membership;
- (c) The circumstances under which membership is acquired, maintained and lost;
- (d) The procedure to be followed in cases of termination of membership;
- (e) The conditions under which the transfer of a share or interest of the members shall be permitted;
- (f) The rules and procedures on the agenda, time, place and manner of calling, convening, conducting meetings, quorum requirements, voting systems, and other matters relative to the business affairs of the general assembly, board of directors, and committees;
- (g) The general conduct of the affairs of the cooperative, including the powers and duties of the general assembly, the board of directors committees and its officers and their qualifications and disqualifications;
- (h) The manner in which the capital may be raised and the purposes for which it can be utilized;
- (i) The mode of custody and of investment of net surplus;
- (j) The accounting and auditing systems;
- (k) The manner of loaning and borrowing, including limitations thereof;
- (l) The method of distribution of net surplus;

- (m) The manner of adopting, amending, repealing and abrogating bylaws;
- (n) A conciliation or mediation mechanism for the amicable settlement of disputes among members, directors, officers and committee members of the cooperative; and
- (o) Other matters incident to the purposes and activities of the cooperative.

**ART. 16. Registration.** - A cooperative formed or organised under this Code acquired juridical personality from the date the Cooperative Development Authority issues a certificate of registration under its official seal. All applications for registration shall be finally disposed of by the Cooperative Development Authority within a period of thirty (30) days from the filing thereof, otherwise the application is deemed approved, unless the cause of the delay is attributable to the applicant: Provided, That, in case of a denial of the application for registration, an appeal shall lie with the Office of the President, within ninety (90) days from receipt of notice of such denial: Provided, further, That failure of the Office of the President to act on the appeal within ninety (90) days from the filing thereof shall mean approval of said application.

**ART. 17. Certificate of Registration** - A certificate of registration issued by the Cooperative Development Authority under its official seal shall be conclusive evidence that the cooperative therein mentioned is duly registered unless it is proved that the registration thereof has been cancelled.

**ART. 18. Amendment of Articles of Cooperation and Bylaws** - Unless otherwise prescribed by this Code and for legitimate purposes, any provision or matter stated in the articles of cooperation may be amended by two-thirds (2/3) vote of all the member with voting rights, without prejudice to the right of the dissenting members to exercise their right to withdraw their membership under Articles 31 and 32.

The original and amended articles together shall contain all provisions required by law to be set out in the articles of cooperation. Amendments shall be indicated by underscoring or otherwise appropriately indicating the change or changes made and a copy thereof duly certified under oath by the cooperative secretary and a majority of the directors stating the fact that said amendment or amendments have been duly approved by the required vote of the members. All amendments to the articles of cooperation shall be submitted to the Cooperative Development Authority. The amendments shall take effect upon its approval by the Cooperative Development Authority or within thirty (30) days from the date of filing thereof if not acted upon by the Authority for a cause not attributable to the cooperative.

**ART. 19. Contracts Executed Prior to Registration and Effect Thereof-** Contracts executed between private persons and cooperatives prior to the registration of the cooperative shall remain valid and binding between the parties and upon registration of the cooperative. A formal written contract shall be adopted and made in the cooperative's name or on its behalf prior to its registration.

**ART. 20. Division of Cooperatives -** Any registered cooperative may, by a resolution approved by a vote of two-thirds (2/3) of the members eligible to vote at a general assembly meeting, resolves to divide itself into two (2) or more cooperatives. The procedure for such division shall be prescribed in the regulations of the Cooperative Development Authority. The new cooperatives shall be come legally established upon registration with the Authority: Provided, That all the requirements set forth in this Code have been complied with by the new cooperatives: Provided, further, That no division of a cooperative in fraud of creditors shall be valid.

(1) Merger and consolidation of cooperatives.- (1) Two (2) or more cooperatives may merge into a single cooperative which shall be one of the constituent cooperatives or may consolidate into a new single cooperative which shall be the consolidated cooperative.

(2) No merger or consolidation shall be valid unless approved by two-thirds (2/3) of all the members eligible to vote of each of the constituent cooperatives at separate general assembly meetings. The dissenting members shall have the right to exercise their right to withdraw their membership pursuant to Articles 31 and 32.

(3) The Cooperative Development Authority shall issue the guidelines governing the procedure of merger or consolidation of cooperatives. In any case, the merger or consolidation shall be effective upon the issuance of the certificate of merger or consolidation by the Cooperative Development Authority.

**ART. 22. Effects of Merger and Consolidation -** The merger or consolidation of cooperatives shall have the following effects.

(1) The constituent cooperatives shall becomes a single cooperative which, in case of merger, shall be the surviving cooperative, and, in case of consolidation, shall be the consolidated cooperative;-

(2) The separate existence of the constituent cooperatives shall cease, except that of the surviving or the consolidated cooperative;

(3) The surviving or the consolidated cooperative shall possess all the rights, privileges, immunities and powers and shall be subject to all the duties and liabilities of a cooperative organized under this Code;

(4) The surviving or the consolidated cooperative shall possess all the

assets, rights, privileges, immunities and franchises of each of the constituent cooperatives; and

(5) The surviving or the consolidated cooperative shall be responsible for all the liabilities and obligations of each of the constituent cooperatives in the same manner as if such surviving or consolidated cooperative had itself incurred such liabilities or obligations. Any claim, action or proceeding pending by or against any such constituent cooperatives may be prosecuted by or against the surviving or consolidated cooperative, as the case may be. Neither the rights of creditors nor any lien upon the property of any of such constituent cooperative shall be impaired by such merger or consolidation.

**ART. 23. Types and Categories of Cooperatives** - (1) Types of Cooperatives may fall under any of the following types:

- (a) Credit Cooperative is one which promotes thrift among its members and creates funds in order to grant loans for productive and provident purposes;
  - (b) Consumers Cooperative is one the primary purpose of which is to procure and distribute commodities to members and non-members;
  - (c) Producers Cooperative is one that undertakes joint product whether agricultural or industrial;
  - (d) Marketing Cooperative is one which engages in the supply of production inputs to members and markets their products;
  - (e) Service Cooperative is one which engages in medical and dental care, hospitalization, transportation, insurance, housing, labor, electric light and power, communication and other services; and
  - (f) Multipurpose Cooperative is one which combines two (2) or more of the business activities of these different types of cooperatives.
- (2) Categories of Cooperatives - Cooperatives shall be categorized according to membership and territorial considerations as follows:
- (a) In terms of membership, cooperative shall be categorized into:
    - (i) Primary- The members of which are natural persons;
    - (ii) Secondary- The members of which are primaries; and
    - (iii) Tertiary- The members of which are secondaries upward to one (1) or more apex organizations.

Those cooperatives the members of which are cooperatives shall be known as federations or unions, as the case may be; and

- (b) In terms of territory, cooperatives shall be categorized according to areas of operations which may or may not coincide with the political subdivisions of the country.

**ART. 24. Federation of Cooperatives** - (1) A federation of cooperatives whose members are primary and/or secondary cooperatives with single line or multipurpose business activities may be registered under this Code for any or all of the following purposes:

- (a) Primary Purpose- To carry on any cooperative enterprise authorized under Article 6;
- (b) Secondary Purpose- (i) To carry on, encourage, and assist educational and advisory work relating to its member cooperatives;
- (ii) To render services designed to encourage simplicity, efficiency, and economy in the conduct of the business of its member cooperatives and to facilitate the implementation of their bookkeeping, accounting, and other systems and procedures;
- (iii) To print, publish, and circulate any newspaper or other publication in the interest of its member cooperatives and enterprises;
- (iv) To coordinate and facilitate the activities of its member cooperatives;
- (v) To enter into joint ventures with national or international cooperatives of other countries in the manufacture and sale of products and/or services in the Philippines and abroad; and
- (vi) To perform such other functions as may be necessary to attain its objectives.

A federation of cooperatives may be registered by carrying out the formalities for registration of a cooperative.

(2) Registered cooperatives may organize a federation at the provincial, city, regional, and national levels according to the type of business carried on.

**ART. 25. Cooperative Unions** - Registered cooperatives and federations at the appropriate levels may organize or join cooperative unions to represent the interest and welfare of all types of cooperatives at the provincial, city, regional, and national levels. Cooperative unions may have the following purpose :

- (a) To represent its member organizations;
- (b) To acquire, analyze, and disseminate, economic, statistical, and other information relating to its members and to all types of cooperatives within its area of operation;
- (c) To sponsor studies in the economic, legal, financial, social and other phases of cooperation, and publish the result thereof;
- (d) To promote the knowledge of cooperative principles and practices.

- (e) To develop the cooperative movement in their respective jurisdictions;
- (f) To advise the appropriate authorities on all questions relating to cooperatives;
- (g) To raise funds through membership fees, dues and contributions, donation, and subsidies from local and foreign sources whether private or government ; and
- (h) To do and perform such other activities as may be necessary to attain the foregoing objectives.

Cooperative unions may assist the national and local governments in the latter's development activities in their respective jurisdictions.

### CHAPTER 3 MEMBERSHIP

**ART. 26. Who may be Members of Cooperatives** - Any natural person, who is a citizen of the Philippines, a cooperative, or nonprofit organization with juridical personality shall be eligible for membership in a cooperative if the applicant meets the qualifications prescribed in the byelaws: Provided, That only natural person may be admitted as members of a primary cooperative.

**ART. 27. Kinds of Membership** - A cooperative may have two (2) kinds of members to wit: (1) regular members and (2) associate members. A regular member is one who is entitled to all the rights and privileges of membership. An associate member is one who has no right to vote nor be voted upon and shall be entitled only to such rights and privileges as the bylaws may provide.

A cooperative organized by minors shall be considered a laboratory cooperative and must be affiliated with a registered cooperative. A laboratory cooperative shall be governed by special guidelines to be promulgated by the Cooperative Development Authority.

**ART. 28. Government Officers and Employees** - (1) Any officer or employee of the Cooperative Development Authority shall be disqualified to be elected or appointed to any position in a cooperative ; (2) Elective officials of the Government, except arangay officials, shall be ineligible to become officers and directors of cooperatives; and (3) Any government employee may, in the discharge of his duties as member in the cooperative , be allowed by the head of office concerned to use official time for attendance at the general assembly, board and committee meetings of workshops, technical meetings, and training courses locally or abroad: Provided, That the operations of the concerned are not adversely affected.

**ART. 29. Application** - An applicant for membership shall be deemed a member after approval of his membership by the board of directors and shall exercise the rights of member after having made such payments to the cooperative in respect to membership or acquired interest in the cooperative as may be prescribed in the bylaws. In case membership is refused or denied by the board of directors, an appeal may be made to the general assembly and the latter's decision shall be final.

**ART. 30. Liability of Members** - A member shall be liable for the debts of the cooperative to the extent of his contribution to the share capital of the cooperative.

**ART. 31. Termination of Membership** - (1) A member of a cooperative may, for any reason, withdraw his membership from the cooperative by giving a sixty (60) day notice to the board of directors. The withdrawing member shall be entitled to a refund of his share capital contribution and all other interests in the cooperative: Provided, That such refund shall not be made if upon such payment the value of the assets of the cooperative would be less than the aggregate amount of its debts and liabilities exclusive of his share capital contribution.

(2) The death, insanity, insolvency or dissolution of a member shall be considered an automatic termination of membership.

(3) A member may be terminated by vote of the majority of all the members of the board of directors for any of the following causes:

- (a) When a member has not patronized the services of the cooperative for an unreasonable period of time as may be fixed by the board of directors;
- (b) When a member has continuously failed to comply with his obligations;
- (c) When a member has acted in violation of the bylaws and the rules of cooperative; and
- (d) For any act or omission injurious or prejudicial to the interest or the welfare of the cooperatives.

A members whose membership the board of directors may wish to terminate shall be informed of such intended action in writing and shall be given an opportunity to be heard before the said board makes its decision. The decision of the board shall be in writing and shall be communicated in person or by registered mail to the member and shall be appealable, within thirty (30) days after the decision is pronulgated, to the general assembly where decision therein, whether in a general or special session, shall be final. Pending a decision by the general assembly, the membership remains in force.

**ART. 32. Refund of Interests** - All sums computed in accordance with the bylaws due from a cooperative to a former member shall be paid to him either by the cooperative or by the approved transferee, as the case be in accordance with Code.

## CHAPTER 4 ADMINISTRATION

**ART. 33. Composition of the General Assembly** - The general assembly shall be composed of such members who are entitled to vote under the articles of cooperation and bylaws of the cooperative.

**ART. 34. Powers of the General Assembly** - The general assembly shall be the highest policy -making body of the cooperative and shall exercise such powers as are stated in this Code, in the articles of the cooperation and in the bylaws of the cooperative. The general assembly shall have the following exclusive powers which cannot be delegated:

- (1) To determine and approve amendments to the articles of cooperation and by laws;
- (2) To elect or appoint the members of the board of directors, and to remove them for cause;
- (3) To approve developmental plans of the cooperative; and
- (4) Such other matters requiring a two-third (2/3) vote of all the members of the general assembly, as provided in this Code.

**ART. 35. Meetings** - (1) A regular meeting shall be held annually by the general assembly on a date fixed in the bylaws, or if not so fixed, on any date within ninety (90) days after the close of each fiscal year: Provided, That written notice of regular meetings shall be sent to all members of record at their official addresses at least two (2) weeks prior to the meeting, unless a different period is required in the bylaws.

(2) Whenever necessary, a special meeting of the general assembly may be called at any time by a majority vote of the board of directors or in the case specified in the bylaws: Provided, That at least one (1) week written notice shall be sent to all members. However, a special meeting shall be called by the board of directors after compliance with the required notice within one (1) month after receipt of a request in writing from at least ten per centum (10%) of the total members to transact specific business covered by the call.

If the board fails to call a regular or a special meeting within the given period, the Cooperative Development Authority, upon petition of ten per centum (10%) of all the members of the cooperative, and for good cause



shown, may issue an order to the petitioners directing them to call a meeting of the general assembly by giving proper notice required by this Code or by the bylaws.

(3) In the case of a newly approved cooperative, a special general assembly shall be called within ninety (90) days from such approval.

(4) The Authority may call a special meeting of the cooperative:

(a) For the purpose of reporting to the members the result of any audit, examination, or other investigation of the cooperative affairs ordered or made by him; or

(b) When the cooperative fails to hold an annual general assembly during the period required for the purpose of enabling the members to secure any information regarding the affairs of the cooperative and benefits that they are entitled to receive pursuant to this Code.

(5) Notice of any meeting may be waived, expressly or impliedly, by any member.

**ART. 36. Quorum** - Unless otherwise provided in the bylaws, a quorum shall consist of twenty-five per centum (25%) of all the members entitled to vote.

**ART. 37. Voting System** - (1) Each member of a primary cooperative shall have only one (1) vote. A secondary or tertiary cooperative shall have voting rights as delegate of members-cooperatives, but such cooperatives shall have only five (5) votes. The votes cast by the delegates shall be deemed as votes cast by the members thereof.

(2) No voting agreement or other device to evade the one-member-one-vote provision except as provided under sub section (1) hereof shall be valid.

(3) No member of a primary cooperative shall be permitted to vote by proxy unless provided for specifically in the bylaws of the cooperative. However, the bylaws of a cooperative other than a primary may provide for voting by proxy. Voting by proxy means allowing a delegate of a cooperative to represent or vote in behalf of another delegate of the same cooperative.

**ART. 38. Composition of the Board of Directors** - The conduct and management of the affairs of a cooperative shall be vested in a board of directors which shall be composed of not less than five (5) nor more than fifteen (15) members elected by the general assembly for a term fixed in the bylaws but not exceeding a term of two (2) years and shall hold office until their successors are duly elected and qualified, or until duly removed. However, no director shall serve for more than three (3) consecutive terms.

**ART. 39. Powers of the Board of Directors** - The board of directors shall direct and supervise the business, manage the property of the

cooperative and may, by resolution, exercise all such powers of the cooperative as are not reserved for the general assembly under this Code and the bylaws.

**ART. 40. Directors** - (1) Any member of a cooperative who, under the bylaws of the cooperative, has the right to vote and who possesses all the qualifications and none of the disqualifications provided in the laws or the bylaws shall be eligible for election as director.

(2) The cooperative may, by resolution of its board of directors, admit as director, or committee member one appointed by any financing institution from which the cooperative received financial assistance solely to provide technical knowledge not available within its membership. Such director or committee member need not be a member of the cooperative and shall have no powers, rights nor responsibilities except to provide technical assistance as required by the cooperative.

**ART. 41. Meeting of the Board, Quorum** - (1) Regular meetings of the board of directors of every cooperative shall be held monthly, unless the bylaws provide otherwise.

(2) Special meetings of the board of directors may be held at any time upon the call of the President of as provided in the bylaws.

(3) A majority of the members of the board shall constitute a quorum for the conduct of business, unless the bylaws provide otherwise.

(4) Directors cannot attend or vote by proxy at board meetings.

**ART. 42. Vacancy in the Board of Directors** - Any vacancy in the board of directors, other than by expiration of term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be filled by the general assembly in a regular or special meeting called for the purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.

**ART. 43. Officers of the Cooperative** - The board of directors shall elect from among themselves only the chairman and vice-chairman, and elect or appoint other officers of the cooperative from outside of the board in accordance with their bylaws. All officers shall serve during good behavior and shall not be removed except for cause after due hearing. Loss of confidence shall not be a valid ground for removal unless evidenced by acts or omission causing loss of confidence in the honesty and integrity of such officer. No two (2) or more persons with relationships up to the third civil degree of consanguinity or affinity shall serve as elective or appointive officers in the same board.

**ART. 44. Committee of Cooperatives** - (1) The bylaws may create an executive committee to be appointed by the board of directors with such powers and duties as may be delegated to it in the bylaws or by a majority vote of all the members of the board of directors.

(2) The bylaws shall provide for the creation of an audit committee and such other committees as may be necessary for the proper conduct of the affairs of the cooperative.

Unless otherwise provided in the bylaws, the board, in case of vacancy in said committees, may cause an election to fill the vacancy or appoint a person to fill the same subject to the provision that the person elected or appointed shall serve only for the unexpired portion of the term.

**ART. 45. Functions and Responsibilities of Directors, Officers and Committee Members** - The functions and responsibilities of the directors, officers and committee members shall be as prescribed in detail in the bylaws of a cooperative.

**ART. 46. Liability of Directors, Officers and Committee Members** - Directors, officers and committee members, who willfully and knowingly vote for or assent to patently unlawful acts or who are guilty of gross negligence or bad faith in directing the affairs of the cooperative or acquire any personal or pecuniary interest in conflict with their duty as such directors, officers or committee member shall be liable jointly and severally for all damages or profits resulting therefrom to the cooperative, members and other persons.

When a director, officer or committee member attempts to acquire or acquires, in violation of his duty, any interest or equity adverse to the cooperative in respect to any matter which has been reposed in him in confidence, he shall, as a trustee for the cooperative, be liable for damages and for double the profits which otherwise would have accrued to the cooperative.

**ART. 47. Compensation** - (1) In the absence of any provision in the bylaws fixing their compensation, the directors shall not receive any compensation except for reasonable per diems may be granted to directors by a majority vote of the members with voting rights at a regular or special general assembly meeting specifically called for the purpose: Provided, further, that no additional compensation other than per diems shall be paid during the first year of existence of any cooperative.

(2) The compensation of officers of the cooperative as well as the members of the committees created pursuant to this Code or its bylaws may be fixed in the bylaws.

(3) Unless already fixed in the bylaws, the compensation of all other employees shall be determined by the board of directors.

**Article. 48. Dealings of Directors, Officers or Committee Members**

- A contract of the cooperative with one (1) or more of its directors, officers, committee members is voidable, at the option of such cooperative, unless all the following conditions are present:

(1) That the presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;

(2) That the vote of such director was not necessary for the approval of the contract;

(3) That the contract is fair and reasonable under the circumstances; and

(4) That in the case of an officer or committee member, the contract with the office or committee member has been previously authorized by the general assembly or by the board of directors.

Where any of the first two conditions set forth in the preceding paragraph is absent, in the case of a contract with a director, such contract may be ratified by a two-thirds (2/3) vote of all the members with voting rights in a meeting called for the purpose: Provided, That full disclosure of the adverse interest of the directors involved is made at such meeting, and that the contract is fair and reasonable under the circumstances.

**ART. 49. Disloyalty of a Director** - A director who, by virtue of his office, acquires for himself an opportunity which should belong to the cooperative shall be liable for damages and must account for double the profits that otherwise would have accrued to the cooperative by refunding the same, unless his act has been ratified by a two-thirds (2/3) vote of all the members with voting rights. This provision shall be applicable, notwithstanding the fact that the director used his own funds in the venture.

**ART. 50. Illegal Use of Confidential Information** - (1) A director or officer, or an associate of a director or officer, who, in connection with a transaction relating to shares of a cooperative or a debt obligation of a cooperative and for his benefit or advantage or that of an associate, makes use of confidential information that, if generally known might reasonably be expected to affect materially the value of the share or the debt obligation shall be held:

(a) Liable to compensate any person for a direct loss suffered by that person as a result of the transaction, unless the information was known or reasonably should have been known to the person at the time of the transaction; and

(b) Accountable to the cooperative for any direct benefit or advantage received or yet to be received by him or his associate, as a result of the transaction.

(2) The cooperative shall take the necessary steps to enforce the liabilities described in subsection (a).

**ART. 51. Removal** - An elective officer, director, or committee member may be removed by a vote of two-thirds (2/3) of the voting members present and constituting a quorum, in a regular or special general assembly meeting called for the purpose. The person involved shall be given an opportunity to be heard at said assembly.

## CHAPTER 5

### RESPONSIBILITIES, RIGHTS AND PRIVILEGES OF COOPERATIVES

**ART. 52. Address** - Every cooperative shall have an official postal address to which all notices and communications shall be sent. Such address and every change thereof shall be registered with the Cooperative Development Authority.

**ART. 53. Books to be Kept Open** - (1) Every cooperative shall have the following open to its members and representatives of the Authority for inspection during reasonable office hours at its official address:

- (a) A copy of this Code and all other laws pertaining to cooperatives;
- (b) A copy of the regulations of the Cooperative Development Authority;
- (c) A copy of the articles of cooperation and bylaws of the cooperative;
- (d) A register of members;
- (e) The books of the minutes of the meetings of the general assembly, board of directors and committees;
- (f) Share books, where applicable;
- (g) Financial statements; and
- (h) Such other documents as may be prescribed by laws or the bylaws.

(2) The chairman of the audit committee of a cooperative shall be responsible for books and records of account of the cooperative in accordance with generally accepted accounting practices. He shall also be responsible for the production of the same at the time of audit or inspection.

(3) Each cooperative shall maintain records of accounts such that the true and correct condition and the results of the operation of the cooperative may be ascertained therefrom at any time. The financial statements, audited according to generally accepted auditing standards, principles and practices, shall be published annually.

(4) Subject to the pertinent provisions of the National Internal Revenue Code and other laws, a cooperative may dispose by way of burning or other

method of complete destruction any document, record or book pertaining to its financial and nonfinancial operations which are already more than five (5) years old except those relating to transactions which are subject of civil, criminal, and administrative proceedings. An inventory of the audited documents, records, and books to be disposed of shall be drawn up and certified to by the cooperative secretary and the chairman of the audit committee of the cooperative and presented to the board of directors which may thereupon approve the disposition of said records.

**ART. 54. Annual Reports** - (1) Every cooperative shall draw up an annual report of its affairs as of the end of every fiscal year, and publish the same furnishing copies to all its members of record. A copy thereof shall be filed with the Cooperative Development Authority within sixty (60) days from the end of every fiscal year. The form and contents shall be a ground for revocation of authority of the cooperative to operate as such. The provided in by the bylaws.

(2) If any cooperative fails to make, publish and file the report required herein, or fails to include therein any matter required by this Code. The Cooperative Development Authority shall, within fifteen (15) days from the date of expiration of the prescribed period, send such cooperative a registered notice, directed to its official postal address stating the delinquency and its consequences. If the cooperative fails to make, publish or file a copy of the report within thirty (30) days from receipt of such notice, any member of the cooperative or the Government may petition the court for mandamus to compel the cooperative and its officers to make, publish, and file such report, as the case may be, and require the cooperative or the officers at fault to pay all the expenses of the proceeding, including counsel fees when the filing is made by a member.

**ART. 55. Register of Members as Prima Facie Evidence** - Any register or list of members or shares kept by any registered cooperative shall be *prima facie* evidence of the following particulars entered therein:

(1) The date on which the name of any person was entered in such register or list as member; and

(2) The date on which any such person ceased to be a member.

**ART. 56. Probative Value of Certified Copies of Entries** - (1) A copy of any entry in any book, register or list regularly kept in the course of business in the possession of a cooperative shall, if duly certified in accordance with the rules of evidence, be admissible as evidence of the existence of the entry and *prima facie* evidence of the matters and transactions therein recorded.

(2) No person or cooperative in possession of the books of such cooperative shall, in any legal proceedings to which the cooperative is not

a party, be compelled to produce any of the books of the cooperative, the contents of which can be proved and the matters, transactions and accounts therein recorded, unless by order of a competent court.

**ART. 57. Bonding of Accountable Officers** - Every director, officer, and employee handling funds, securities or property on behalf of any cooperative shall execute and deliver adequate bonds for the faithful performance of his duties and obligations. The board of directors shall determine the adequacy of such bonds.

**ART. 58. Preference of Claims** - (1) Notwithstanding the provisions of existing laws, rules and regulations to the contrary, but subject to the prior claim of the Cooperative Development Authority, any debt due a cooperative from a member shall be first lien upon any raw materials, production inputs, and produced; or any land, building, facilities, equipment, goods or services acquired and held, by such member through the proceeds of the loan or credit granted by the cooperative to him for him for as long as the same is not fully paid.

(2) No property or interest on property which is subject to a lien under paragraph (1) shall be sold nor conveyed to third parties without the prior permission of the cooperative. The lien upon the property or interest shall continue to exist even after the sale or conveyance thereof until such lien has been duly extinguished.

(3) Notwithstanding the provisions of any law to the contrary, any sale or conveyance made in contravention of paragraph (2) hereof shall be void.

**ART. 59. Instrument for Salary or Wage Deduction** - (1) A member of a cooperative may, notwithstanding the provisions of existing laws to the contrary, execute an instrument in favour of the cooperative authorizing his employer to deduct from the salary or wages payable to him by the employer and pay to the cooperative such amount as may be specified in satisfaction of any debt or other demand due from the member to the cooperative.

(2) Upon the execution of such instrument and as may be required by the cooperative contained in a written request, the employer shall make the deduction in accordance with the agreement and remit forthwith the amount so deducted to the cooperative. The employer shall make the deduction for as long as such debt or other demand or any part of it remains unpaid by the employee.

(3) the national and local governments and government-owned or controlled cooperations who have under their employ a member of a cooperative and have agreed to carry out the terms of the instrument mentioned in paragraphs (1) and (2) of this article.

(4) The provision of this article shall also apply to all such agreements

of the nature referred to in paragraph (1) as were in force on the date of the approval of this Code.

**ART. 60. Primary lien** - Notwithstanding the provisions of any law to the contrary, a cooperative shall have a primary lien upon the capital, deposits or interest of a member for any debt due to the cooperative from such a member.

**ART. 61. Tax Treatment of Cooperatives** - Duly registered cooperatives under this Code which do not transact any business with non members or the general public shall not be subject to any government taxes or fees imposed under the internal revenue laws and other tax laws. Cooperatives not falling under this article shall be governed by the succeeding section.

**ART. 62. Tax and Other Exemptions** - Cooperatives transacting business with both members shall not be subject to tax on their transactions to members. Notwithstanding the provisions of any law or regulation to the contrary, such cooperatives dealing with non members shall enjoy the following tax exemptions :

(1) Cooperatives with accumulated reserves and undivided net savings of not more than Ten million pesos (P 10,000,000.00) shall be exempt from all national, city, provincial, municipal or barangay taxes of whatever name and nature. Such cooperatives shall be exempt from customs duties, advance sales or compensating taxes on their importation of machinaries, equipment and spare parts used by them and which are not available locally as certified by the Department of Trade and Industry. All tax-free importations shall not be transferred to any person until after five (5) years, otherwise, the cooperative and the transferee or assignee shall be solidarily liable to pay twice the amount of the tax and /or duties thereon.

(2) Cooperatives with accumulated reserves and undivided net savings of more than Ten million pesos (P 10,000,000,00) shall pay the following taxes at the full rate:

(a) **Income Tax** On the amount allocated for capitals: Provided That the same tax is not consequently imposed on interest individually received by members;

(b) **Sales Tax** - On sales to non members: Provided, however, That all cooperatives, regardless of classification, are exempt from the payment of income and sales taxes for a period of ten (10) years.

For cooperatives whose exemptions were removed by Executive Order No. 93, the ten- year period shall be reckoned from the effectivity date of said executive order. Cooperatives created after the approval of this Code shall be granted the same exemptions, the period of which shall be reckoned from the date of registration with the Authority : Provided, That at least twenty-



five per centum (25%) of the net income of the cooperatives is returned to the members in the form of interest and/or patronage refunds;

(c) All other taxes unless otherwise provided herein; and

(d) Donations to charitable, research and educational institutions and reinvestment to socio economic projects within the area of operation of the cooperatives may be tax deductible.

(3) All cooperatives, regardless of the amount of accumulated reserves and undivided net saving shall be exempt from payment of local taxes and taxes on transactions with banks and insurance companies: Provided, That all sales or services rendered for nonmembers shall be subject to the applicable percentage taxes except sales made by producers, marketing or service cooperatives: Provided, further, That nothing in this article shall preclude the examination of the books of accounts or other accounting records of the cooperative by duly authorized internal revenue officers for internal revenue tax purposes only, after previous authorization by the Authority.

(4) Any judge in his capacity as notary public, ex officio, shall render service, free of charge, to any person or group of persons requiring either the administration of oath of the acknowledgement of articles of cooperation or a cooperatives and instruments of loan from cooperative not exceeding Fifty thousand pesos (P 50,000.00) .

(5) Any register of deeds shall accept for registration, free of charge, any instrument relative to a loan made under this Code which does not exceed Fifty thousand pesos (P 50,000.00) or the deeds of title of any property acquired by the cooperative or any paper or document drawn in connection with any action brought by the cooperatives or with any court judgement rendered in its favour or any instrument relative to a bond of any accountable officer of a cooperative for the faithful performance of his duties and obligations.

(6) Cooperatives shall be exempt from the payment of all court and sheriff's fees payable to the Philippine Government for and in connection with all actions brought under this Code, or where such action is brought by the Cooperative Development Authority before the court, to enforce the payment of obligations contracted in favour of the cooperative.

(7) All cooperatives shall be exempt from putting up a bond for bringing an appeal against the decision of an inferior court or seeking to set aside any third party claim: Provided, That a certification of the authority showing that the net assets of the cooperative are in excess of the amount of the bond required by the court in similar cases shall be accepted by the court as a sufficient bond.

(8) Any security issued by cooperatives shall be exempt from provisions

of the Securities Act provided such security shall not be speculative.

**ART. 63. Privileges of Cooperatives** - Cooperatives registered under this Code shall, notwithstanding the provisions of any law to the contrary, be also accorded the following privileges:

(1) Cooperatives shall enjoy the privilege of depositing their sealed cash boxes or containers, documents or any valuables papers in the safes of the municipal or city treasurers and other government offices free of charge, and the custodian of such articles shall issue a receipt acknowledging the articles received duly witness ed by another person;

(2) Cooperatives organized among government employees, notwithstanding any law of regulation to the contrary, shall enjoy the free use of any available space in their agency, whether owned or rented by the government;

(3) Cooperatives rendering special types of services and facilities such as cold storage, ice plant, electricity, transportation, and similar services and facilities shall secure a franchise therefore, and such cooperatives shall open their membership to all persons qualified in their areas of operation;

(4) In areas where appropriate cooperatives exist, preferential right to supply government institutions and agencies rice, corn and other grains, fish and other marine products, meat, eggs, milk, vegetable setobacco and other agricultural commodities produced by their own members shall be granted to the cooperatives concerned;

(5) Preferential treatment in the allocation of fertilizers and in rice distribution shall be granted to cooperatives by the appropriate government agencies;

(6) Preferential and equitable treatment in the allocation or control of bottomries of commercial shipping vessels in connections with the shipment of goods and products of cooperatives;

(7) Cooperatives and their federations, such as market vendor cooperatives, shall have preferential rights in management of public markets and/or lease of public market facilities, stall or spaces;

(8) Credit cooperatives and/or federations shall be entitled to loans, credit lines, rediscounting of their loan notes, and other eligible papers with the Development Bank of the Philippines, the Philippine National Bank, the Land Bank of the Philippines, and other financial institutions except the Central Bank of the Philippines;

(9) Cooperatives transacting business with the Government of the Philippines or any of its political subdivisions or any of its agencies or instrumentalities, including bidding requirements; and

(10) Cooperatives shall enjoy the privileges of being represented by the

provincial or city fiscal of the Office of the Solicitor General, free of charge, except when the adverse party is the Republic of the Philippines.

## **CHAPTER 6**

### **INSOLVENCY OF COOPERATIVES**

**ART. 64. Proceeding Upon Insolvency** - In case a cooperative is unable to fulfill its obligations to creditors due to insolvency, such cooperative may apply for such remedies as it may deem fit under the provisions of the Insolvency Law (Act No. 1956, as amended).

Nothing in this article, however, precludes creditors from seeking protection from said insolvency law.

## **CHAPTER 7**

### **DISSOLUTION OF COOPERATIVES**

**ART. 65. Voluntary Dissolution Where No Creditors Are Affected-** If the dissolution of cooperative does not prejudice the rights of any creditor having a claim against it, the dissolution may be effected by a majority vote of the board of directors, and by a resolution duly adopted by the affirmative vote of at least two-thirds (2/3) of all the members with voting rights at a meeting to be held upon call of the directors: Provided, That notice of time, place and object of the meeting shall be published for three (3) consecutive weeks in a newspaper published in the place where the principal office of said cooperative is located, or if no newspaper of general circulation in the Philippines: Provided, further, That notice of such meeting is sent to each stockholder or member either by registered mail or by personal delivery at least thirty (30) days prior to said meeting. A copy of the resolution authorizing the dissolution shall be certified by a majority of the board of directors and countersigned by the secretary of the cooperative. The Cooperative Development Authority shall thereupon issue the certificate of dissolution.

**ART. 66. Voluntary Dissolution Where Creditors Are Affected -** Where the dissolution of a cooperative may prejudice the rights of any creditor, the petition for dissolution shall be filed with the Cooperative Development Authority. The petition shall be signed by a majority of its board of directors or other officers managing its affairs, shall be verified by its president or secretary or one of its directors and shall set forth of claims all at least two-thirds (2/3) of all the members with voting rights, at a meeting called for that purpose.

If the petition is sufficient in form and substance, the Cooperative Development Authority shall, by an order reciting the purpose of the

petition, fix date on or before which objections thereto may be filed by any person, which date shall not be less than thirty(30) nor more than sixty (60) days after the entry of the order. Before such date, a copy of the order shall be published at least once a week for three (3) consecutive weeks in a newspaper of general circulation published in the municipality or city where the principal office of the cooperative is situated, or in the absence of such newspaper, then in a newspaper of general circulation in the Philippines, and a similar copy shall be posted for three (3) consecutive weeks in three (3) public places in the municipality or city.

Upon five (5) days notice, given after the date on which the right to file objections as fixed in the order has expired, the Cooperative Development Authority shall proceed hear the petition and try any issue made by the objections filed; and if no such objection is sufficient, and the material allegations of the petition are true, it shall issue an order dissolving the cooperative and directing such disposition of its assets as justice requires. order of dissolution shall set forth therein:

- (2) The claim of any creditor;
- (3) The number of members; and
- (4) The nature and extent of the interests of the members of the cooperative.

**ART. 67. Involuntary Dissolution** - A cooperative may be dissolved by order of a competent court after due hearing on the grounds of: (1) violation of any law, regulation, or provisions of its bylaws, insolvency.

**ART. 68. Dissolution by Order of the Authority** - The Authority may suspend or revoke, after due notice and hearing, the certificate of registration of a cooperative on any of the following grounds:

- (1) Having obtained its registration by fraud;
- (2) Existing for an illegal purpose;
- (3) Willful violation, despite notice by the Authority, of the provisions of this Code or its bylaws;
- (4) Willful failure to operate on a cooperative basis; and
- (5) Failure to meet the required minimum number of members in the cooperative.

**ART. 69. Dissolution by Failure to Organize and Operate** - If cooperative has not commenced business and operation within two (2) years after the date shown on its certificate of registration or has not carried on business for two (2) consecutive years, the Authority shall send formal inquiry to the said cooperative as to the status of its operation. Failure of the cooperative to promptly provide justifiable cause for its failure to operate

shall warrant the Authority to strike off its name from the register, and, for all intents and purposes, the cooperative shall be deemed dissolved.

**ART. 70. Cooperative Liquidation** - Every cooperative whose charter expires by its own limitation or whose cooperative existence is terminated by voluntary dissolution or is terminated by appropriate judicial proceedings shall nevertheless be continued as a body cooperative for three (3) years after the time when it would have been so dissolved, for the purpose of prosecuting and defending suits by or against it and enabling it to settle and do its affairs, to dispose of and convey its property and to distribute its assets, but not for the purpose of continuing the business for which it was established.

At any time during said three (3) years, said cooperative is authorized and empowered to convey all of its property to trustees for the benefit of members, creditors and other persons in interest. From and after any such conveyance by the cooperative of its property in trust for the benefit of its members, creditors and others in interest, all interest which the cooperative had in the property terminates the legal interest vests in the trustees and the beneficial interest vests in the members, creditors or other persons in interest.

Upon the winding up of the cooperative affairs, any asset distributable to any creditor or shareholder or member who is unknown or cannot be found shall be given to the federation, union or association to which the cooperative is affiliated or to the movement.

Except by decrease of share capital and as otherwise allowed by this Code, no cooperative shall distribute any of its assets or property except upon lawful dissolution and after payment of all its debts and liabilities.

**ART. 71. Rules and Regulations on Liquidation** - The Authority shall issue the appropriated implementing guidelines for the liquidation of cooperative.

## CHAPTER 8

### CAPITAL, PROPERTY, AND FUNDS

**ART. 72. Capital** - The capitalization of cooperatives and the accounting therefore shall be governed by the provisions of this Code and the regulations issued thereunder.

**ART. 73. Capital Sources** - Cooperatives registered under this Code may derive their capital from any or all of the following sources:

- (1) Members' share capital;
- (2) Loans and borrowings including deposits;

- (3) Revolving capital which consists of the deferred payment of patronage refunds, or interest on share capital; and
- (4) Subsidies, donations, legacies, grants, aids and such other assistance from any local or foreign institution whether public or private.

**ART. 74. Limitation on Share Capital Holdings** - No member of a cooperative other than a cooperative shall own or hold more than twenty per centum (20%) of the share capital of the cooperative.

Where a member of a cooperative dies, his heir shall be entitled to the shares of the decedent: Provided, That the total share holding of the heir does not exceed twenty per centum (20%) of the share capital of the cooperative: Provided, further, That the heir qualify, and is admitted as member of the cooperative: Provided, finally, That where the heir fails to qualify as such member or where his total share holding exceeds twenty per centum (20%) of the share capital, the share or shares in excess will revert to the cooperative upon payment to the heir of the value of such shares.

**ART. 75. Assignment of Share Capital Contribution or Interest** - Subject to the provisions of this Code, no member shall transfer his shares or interest in the cooperative or any part thereof unless:

- (1) He has such share contribution or interest for not less than one (1) year;
- (2) The assignment is made to the cooperative or to a member of the cooperative or to a person who falls within the field of membership of the cooperative; and
- (3) The board of directors has approved such assignment.

**ART. 76. Interest on Share Capital** - Interest on share capital, shall not exceed the normal rate of return on investments as determined by the Cooperative Development Authority and such interest shall be noncumulative.

**ART. 77. Shares** - The term "share" refers to a unit of capital the par value of which may be fixed at any figure but not less than One peso (P1.00). The share capital of a cooperative is the money paid or required to be paid for to conduct its operations. the method of issuing the share certificates may be prescribed in the bylaws of cooperative.

**ART. 78. Fines** - The bylaws of a cooperative may prescribe a fine on unpaid subscribed share capital subject to the guidelines which the Cooperative Development Authority may issue.

**ART. 79. Investment of Capital** - (1) A cooperative may invest its capital in any of the following:

- (a) In shares or debentures or securities of any other cooperative;

- (b) In any reputable bank in the locality, or any cooperative;
  - (c) In securities issued or guaranteed by the Government;
  - (d) In real estate primarily for the use of the cooperative or its members;
- or
- (e) In any other manner authorized in the bylaws.

**ART. 80. Revolving Capital** - The general assembly of any cooperative may authorize the board of directors to raise a revolving capital to strengthen its capital structure by deferring the payment of patronage refunds and interest on share capital or by the authorized deduction of a percentage from the proceeds of products sold or per unit of product handled. The board of directors shall issue revolving capital certificates with serial number, name, amount and rate of interest to be paid and shall distinctly set forth that the time of retirement by such certificates and the amounts to be returned are at the discretion of the board of directors.

## CHAPTER 9

### AUDIT, INQUIRY AND MEMBERS' RIGHT TO EXAMINE

**ART. 81. Annual Audit** - Cooperative under this Code shall be subject to an annual audit by an auditor who satisfies all the following qualifications:

- (1) He is independent of the cooperative being audited and of any subsidiary of the cooperative; and
- (2) He is a member of any recognized professional accounting or cooperative auditor's association with similar qualifications.

**ART. 82. Audit Report** - The auditor shall submit to the audit committee a report of the audit which shall contain a statement of the assets and liabilities of the cooperative, including earnings and expenses, amount of net surplus as well as losses and bad debts, if any.

The audit committee shall forthwith furnish the board of directors a copy of the audit report. Thereafter, the board of directors shall present the complete audit report to the general assembly in its next meeting.

**ART. 83. Nonliability for Defamation** - An auditor is not liable to any person in an action for defamation based on any act done, or any statement made by him in good faith in connection with any matter he is authorized or required to do pursuant to this Code.

**ART. 84. Right to Examine** - A member shall have the right to examine the records required to be kept by the cooperative under Article 51 of this Code during reasonable hours on business days and he may demand, in writing, for a copy of excerpts from said records without charge except the cost of reproduction.

Any officer of the cooperative who shall refuse to allow any member of the cooperative to examine and copy excerpts from its records shall be liable to such member for damages and shall be guilty of an offense which shall be punishable under Article 106 of this Code: Provided, That if such refusal is pursuant to a resolution or order of the board of directors, the liability under this article shall be imposed upon the directors who voted for such refusal; Provided, further, That it shall be a defense to any action under this article that the member demanding to examine and copy excerpts from the cooperative records has improperly used any information secured through any prior examination of the records of such cooperative or was not acting in good faith or for a legitimate purpose in making his demand.

**ART. 85. Safety of Records** - Every cooperative shall, at its principal office, keep and carefully preserve the records required by this Code to be prepared and maintained. It shall take all necessary precaution to prevent its loss, destruction or falsification.

## CHAPTER 10

### ALLOCATION AND DISTRIBUTION OF NET SURPLUS

**ART. 86. Net Surplus** - Notwithstanding the provisions of existing laws, the net surplus of cooperatives shall be determined in accordance with its bylaws. Every cooperative shall determine its net surplus at the close of every fiscal year and at such other time as may be prescribed by the bylaws.

The net surplus shall not be construed as profit but as excess of payments made by the members for the loans borrowed, or the goods and services bought by them from the cooperative and which shall be deemed to have returned to them if the same is distributed as prescribed herein.

**ART. 87. Order of Distribution** - The net surplus of every cooperative shall be distributed as follows:

**ART. 92. Lease of Public Lands** - The Government may lease public lands to any agrarian reform cooperative for a period not exceeding twentyfive (25) years, subject to renewal for another twenty-five (25) years only: Provided, That the application for renewal shall be made one (1) year before the expiration of the lease: Provided, further, That such lease shall be for the exclusive use and benefit of the beneficiaries and marginal farmers subject to the provisions of the Comprehensive Agrarian Reform Program.

**ART. 93. Preferential Right** - In agrarian reform areas, an agrarian reform cooperative shall have the preferential right in the grant of franchise and certificate of public convenience and necessity for the operation of public utilities and services: Provided, That it meets the requirements and



conditions imposed by the appropriate government agency granting the franchise or certificate of public convenience and necessity.

Electric service agencies shall, upon request of agrarian reform cooperatives, immediately provide electric services to agrarian reform areas. If the electric service agencies concerned fails for any reason to provide the services requested within a period of one (1) year from receipt thereof, the agrarian reform cooperative concerned may provide the electric services in the agrarian reform area directly through its own resources and shall continue to do so until such time that the electric service agency concerned purchases all the investments made by the agrarian reform cooperative in the electrification of the agrarian reform areas.

**ART. 94. Privileges-** Subject to such reasonable terms and conditions as the Department of Agrarian Reform and the Authority may impose, agrarian reform cooperatives may be given the exclusive right to do any or all of the following economic activities in agrarian reform and resettlement areas:

(1) Supply and distribution of consumer, agriculture, aquacultural, and industrial goods, production inputs, and raw materials and supplies, machinery, equipment, facilities and other services and other services and requirements of the beneficiaries and marginal farmers in the agrarian reform areas at reasonable process;

(2) Marketing of the products and services of the beneficiaries on the local and foreign markets;

(3) Processing of the members' products into finished consumer or industrial goods for domestic consumption or for export;

(4) Provision of essential public services at cost such as power, irrigation, potable water, passenger and/or cargo transportation by land, sea, or air, communication services, and public health and medical care services;

(5) Management, conservation, and commercial development of marine, forestry, mineral, water, and other natural resources subject to compliance with the laws and regulations on environmental and ecological controls;

(6) Provision of financial, technological, and other services and facilities required by the beneficiaries in their daily lives and livelihood.

The Government shall provide the necessary financial and technical assistance to agrarian reform cooperatives to enable them to discharge effectively their purposes under this article. The Department of Agrarian Reform, the Cooperative Development Authority and the Central Bank of the Philippines shall draw up a joint program for the organization and financing

of the agrarian reform cooperatives subject to this Chapter. The joint programme shall be geared towards the beneficiaries' gradual assumption of full ownership and management control of the agrarian reform cooperatives within ten (10) years from the date of registration of said Article

**ART. 95. Organization and Registration** - Agrarian reform cooperatives may be organized and registered under this code only upon prior written verification by the Department of Agrarian Reform to the effect that the same is needed and desired by the beneficiaries; result of a study that has been conducted fairly indicate the economic feasibility of organizing the same may now be organized and registered in accordance with the requirements of this Code.

## CHAPTER 12

### SPECIAL PROVISIONS ON PUBLIC COOPERATIVES

**ART. 96. Definition and Coverage** - A public service cooperative, within the meaning of this Code, is one organized to render public services as authorized under the franchise or certificate of public convenience and necessity duly issued by the appropriate government agency. Such services may include the following:

- (1) Power generation, transmission, and/or distribution;
- (2) Ice plants and cold storage services. Electric cooperatives created under Presidential Decree No. 269 shall be governed by this Chapter if they qualify as cooperatives under the provisions of this Code;
- (3) Communications services including telephone, telegraph, and telecommunications;
- (4) Land, sea, and air transportation cooperatives for passenger and/or cargo. Transport cooperatives organized under the provisions of Executive Order No. 898, Series of 1983, shall be governed by this Chapter;
- (5) Public markets, slaughterhouses and other similar services; and
- (6) Such other types of public service as may be engaged by any cooperative.

Such cooperative shall be primarily governed by this Chapter and the general provisions of this Code insofar as they may be applicable unless they are inconsistent herewith.

**ART. 97. Registration Requirements** - No public service cooperative shall be registered unless it satisfies the following requirements:

- (1) It has the favorable endorsement of the proper government agency authorized to issue the franchise of certificates of public convenience and necessity;

(2) Its articles of cooperation and bylaws provide for the membership of the users and/or producers of the service of such cooperatives; and

(3) It satisfies such other requirements as may be imposed by the other pertinent government agencies concerned. In case there are two (2) or more applicants for the same public service franchise or certificate of public convenience and necessity, all things being equal, preference shall be given to a public service cooperative.

**ART. 98. Regulation of Public Service Cooperatives -** (1) The internal affairs of public service cooperatives such as the rights and privileges of members, the rules and procedures for meetings of the general assembly, board of directors and committees; for the election and qualifications of officers, directors and committee members; allocation and distribution of surpluses; and all other matters relating to their internal affairs shall be governed by this Code.

(2) All matters relating to the franchise or certificate of public convenience and necessity of public service cooperatives such as capitalization and investment requirements, equipment and facilities, frequencies, rate-fixing, and such other matters affecting their public service operations shall be governed by the proper government agency concerned.

(3) The Cooperative Development Authority and proper government agency concerned shall jointly issue the necessary rules and regulations to implement this Chapter.

## CHAPTER 13

### SPECIAL PROVISIONS RELATING TO COOPERATIVE BANKS

**ART. 99. Governing Law-** (1) The provisions of this chapter shall primarily govern cooperative banks registered under this Code and the other provisions of this Code shall apply to them only insofar as they are not inconsistent with the provisions contained in this Chapter.

(2) Cooperatives duly established and registered under the provisions of this Code shall be subject to the requirements of and requisite authorization from the Central Bank.

**ART. 100. Definition, Classification and functions-** A cooperative bank is one organized by the majority shares of which is owned and controlled by, cooperative to provide financial and credit services to cooperatives. The term " cooperative bank" shall include cooperative rural banks.

A cooperative bank may perform the following functions:

(1) To carry on banking and credit services for the cooperatives;

(2) To receive financial aid or loans from the Government and the Central Bank of the Philippines for and on benefit of the cooperative banks and primary cooperatives and their federations engaged in business and to supervise the lending and collection of loans;

(3) To mobilize savings of its members for the benefit of the cooperative movement;

(4) To act as a balancing medium for the surplus funds of cooperatives and their federations;

(5) To discount bills and promissory notes issued and drawn by cooperatives;

(6) To issue negotiable instruments to facilitate the activities of cooperatives;

(7) To issue debentures subject to the approval of and under conditions and guarantees to be prescribed by the government.

(8) To borrow money from banks and other financial institutions within the limit to be prescribed by the Central Bank; and

(9) To carry out all other functions as may be prescribed by the Authority : Provided, That the performance of any banking function shall be subject to prior approval by the Central Bank of the Philippines.

**ART. 101. Registration Requirements-** No entry shall be registered by the Cooperative Development Authority as a cooperative bank unless the articles of cooperation and bylaws thereof as well as its establishment and operation as a cooperative bank have been approved by the Central Bank of the Philippines and it satisfies all requirements for registration as a cooperative.

**ART. 102. Membership** - Membership of a cooperative bank shall only cooperatives and federations of cooperatives.

**ART. 103. Board of Directors** - The number, composition, and voting rights of the board of directors shall be defined in the articles of cooperation and bylaws of the cooperative bank, notwithstanding provisions of this Code to the contrary.

**ART. 104. Loan-** Cooperative may obtained loans from a cooperative bank. Loans granted by a cooperative bank shall be reported to the Central Bank of the Philippines.

**ART. 105. Supervisor** - The cooperative banks registered under this Code shall be under the supervision of the Central Bank. The Central Bank upon consultation with the agency and the cooperative movement shall formulate guidelines regarding the operations and banking transactions of cooperative bank. These guidelines shall give due recognition to the

unique cooperative nature and character of cooperative banks. To this end, cooperative banks may be exempted from Central Bank rules and regulations, applicable to other types of banks, which would impede the cooperative rural bank from performing legitimate financial and banking services to its members.

**ART. 106. Capitalization** - (1) A national cooperative bank shall have a minimum authorized share capital of two hundred million pesos (P 200,000,000.00) in relation to article 14(5). The authorized share capital shall be divided in to such number share. For the purpose primarily of determining the permanency of equity, the types of share a cooperative bank may may issue, including the terms thereof and the rights appurtenant thereto, shall be subject to such rules and regulations as the Central Bank may prescribe.

(2) A local cooperative bank shall have a minimum authorized share capital of Twenty million pesos (P 20,000,000.00) divided into such number of shares with a minimum par value of One hundred pesos (P100.00) per share.

**ART. 107. Distribution of Net Surplus**- The provisions of this Code on the allocation and distribution of net surplus shall apply.

**ART.108. Privileges** - Cooperative banks shall have the following privileges subject to the approval of the Central Bank and compliance with applicably banking laws, rules and regulations:

(1) The coperative banks registered under this Code shall be given the same privileges granted to the rural banks, private development banks, commercial banks, and all other banks to rediscount notes with the Central Bank, the Land Bank of the Philippines, and other government banks without affecting in any way the provisions of this Code; and

(2) To act as a depository of government funds. For this purpose, all government departments, agencies and units of the national and local governments, including government-owned and controlled cooperations are hereby authorizd to deposit their funds in any cooperative bank.

**ART. 109. Assistance to Cooperative Bank** - Whenever a cooperative bank organized under this Code is distressed or may need assistance in the rehabilitation of its financial condition or to avoid bankruptcy, the Monetary Board of the Central Bank of the Philippines shall designate an official of the Central Bank or a person of recognized competence in banking or finance as receiver or conservator of the said bank pursuant to the provisions of Section 29 of Republic Act No. 265, as amended.

## CHAPTER 14

### SPECIAL PROVISIONS RELATING TO CREDIT COOPERATIVE

**ART. 110. Coverage-** This Chapter shall apply only to credit cooperatives and the rest of the provisions of this Code shall apply to them insofar as the same are not inconsistent with the provisions of this Chapter.

**ART. 111. Definition and Objectives -** A credit cooperative is a financial organization owned and operated by its members with the following objectives.

- (1) To encourage savings among its members;
- (2) To create a pool of such savings for which loans for productive or provident purposes may be granted to its members; and
- (3) To provide related services to enable its members to maximize the benefit from such loans.

**ART. 112. Organisation and Registration -** Credit cooperative shall be organized and registered in accordance with the general provisions of this Code.

**ART. 113. Organizational Linkage -** Credit cooperatives may organize chapter or subsidiaries, or join leagues and federations for the purpose of providing commonly needed essential services including but not limited to the following:

- (1) Interlending of surplus fund;
- (2) Mutual benefits;
- (3) Deposit guarantee;
- (4) Bonding ;
- (5) Education and training;
- (6) Professional and technical assistance;
- (7) Research and development;
- (8) Representation; and
- (9) Other services needed to improve their performance.

Existing support organizations such as federations of credit cooperatives, credit cooperatives at the provincial, regional and national levels may continue as such under this Code.

**ART. 114. Prohibition -** The term "credit cooperative" shall be used exclusively, by those who are duly registered under this Chapter, and no person or group of persons, or organizations shall use the said term unless duly registered herein.

**CHAPTER 15**  
**SPECIAL PROVISIONS RELATING TO COOPERATIVE**  
**INSURANCE SOCIETIES**

**ART. 115. Cooperative Insurance Societies** - Existing Cooperatives may organize themselves in to a cooperative insurance entity for the purpose of covering the insurance requirements of the cooperative members including their properties and assets.

**ART. 116 Types of Insurance Provided** - Under the cooperative insurance program established and formed by virtue of the provisions of this Code, the cooperative insurance societies shall provide its constituting members different types of insurance coverage Consisting of, but not limited to, life insurance with special group' coverage, loan production, retirement plans, endowment with health and accident coverage, fire insurance, motor vehicle coverages, bonding, crop and livestock protection and equipment insurance.

**ART. 117. Applicability of Insurance Laws**-The provisions of the Insurance Code and all other laws and regulations relative to the organization and operation of an insurance company shall apply to cooperative insurance entitles organized under this Code. The requirements on capitalization, investments and reserves of insurance firms may be liberally modified upon consultation with the Cooperative Development Authority and the cooperative sector. But in no case may the requirements be reduced to less than half of those provided for under the insurance Code and other related laws.

**ART. 118. Implementing Rules** - The Insurance Commission, upon consultation with the Cooperative Development Authority and the cooperative sector, shall formulate the rules and regulations implementing these provisions.

**CHAPTER 16**  
**MISCELLANEOUS PROVISIONS**

**ART. 119. Compliance with Other Laws** -(1) The Labor Code and all other labor laws shall apply to all cooperatives.

(2) The Social Security Act, the Medical Care Act, and all other social legislations shall apply to all cooperatives.

(3) All other laws and executive orders applicable to cooperatives duly registered under this Code.

**ART. 120. Register of Cooperatives** - The Cooperative Development Authority shall establish a register which shall contain a chronological entry

of the name of every cooperative registered or dissolved under this Code together with the basic information considered useful. The Cooperative Development Authority shall publish every year a list of cooperatives in existence, under dissolution and whose registration is cancelled during the year together with such information on each of them as may be prescribed in the regulations.

**ART. 121. Settlement of Disputes** - Disputes among members, officers, directors and committee members, and intra-cooperative disputes shall, as far as practicable, be settled amicably in accordance with the conciliation or mediation mechanisms embodied in the bylaws of the cooperative, and in applicable laws.

Should such a conciliation/mediation proceeding fail, the matter shall be settled in a court of competent jurisdiction.

## CHAPTER 17 FINAL PROVISIONS

**ART. 122. Electric Cooperative** - Electric cooperatives shall be covered by this Code. However there shall be a transition period of three (3) years within which the Cooperative Development Authority and the National Electrification Administration shall help and assist electric cooperatives to qualify under this Code. The Cooperative Development Authority and the National Electrification Administration shall jointly promulgate rules and regulations to the end that the provisions of this law are harmonized with the provisions of Presidential Decree No. 269.

**ART. 123. Regulations** - (1) The Cooperative Development Authority may issue regulations to implement those provisions of this Code which expressly call for the issuance thereof. This paragraph shall not apply to those cases wherein a specific provision of this Code expressly designates particular government agencies which shall issue the regulations called for by any provision of this Code.

(2) Where a provision of this Code does not expressly call for not authorize the issuance of a regulation, no regulation shall be issued thereon. Any regulation issued in violation of this paragraph shall be null and void *a initio*.

(3) No regulation shall be issued nor become effective under this Code unless the following requirements are satisfied;

- (a) Public announcement on the intention to issue regulations describing the subject to be dealt on with a copy of the proposed regulations attached, inviting the public to make known their views thereon and submit their positions with respect thereof. The



announcement shall be published in a daily newspaper of national general circulation at least once a week for four (4) consecutive weeks prior to the intended date of commencement of the public hearing thereon, specifying the date, time and place of the public hearing;

- (b) Public hearing may be conducted separately in Luzon, Visayas and Mindanao by the Authority and the proceedings thereof shall be duly recorded. Minutes of a public hearing shall be made available to the public at cost. The public hearing may be held in several sessions: Provided, That no session shall be conducted unless the minutes of all other previous sessions have been published beforehand;
- (c) The proposed regulations shall be supported by a memorandum of justification for every provision thereof which shall include citation of the legal bases therefor, the reasons for such provision, and the expected results therefrom; and
- (d) The regulations shall be recommended by the Authority and approved by the Office of the President and the same shall take effect thirty (30) days after publication in the Official Gazette.

**ART. 124. Penal Provisions** - The following acts of omissions affecting cooperatives are hereby prohibited:

(1) The use of the word "cooperative" by any person or of persons or organizations, domestic or foreign, unless duly registered as a cooperative under this Code. In case of violation hereof, the individual or individuals concerned, or in the case of an organization, its officers and directors shall, upon conviction, each suffer the penalty of imprisonment for one (1) year and a fine not exceeding One (1) thousand pesos (P1,000.00) or both at the discretion of the court;

(2) Direct or indirect interference or intervention by any public official or employee into the internal affairs of a cooperative of which he is not a member, such as, but not limited to, the following:

- (a) Influencing the election or appointment of officers, directors, committee members and employees through public or private endorsement or campaign for or against any person or group of persons;
- (b) Requiring prior clearance for any policy or decision within the cooperative;
- (c) Requesting or demanding for the creation of positions or organizational units, or recommending any person for appointment, transfer, or removal from his position; or
- (d) Any other acts inimical or adverse to the autonomy and independence of cooperatives.

In case of violation of any provision of this subsection, the individual or individuals, and in the case of organizations, its officers and directors shall, upon conviction by a court, each suffer a penalty of not less than one (1) year but not more than five (5) years imprisonment of a fine in the amount of not less than five thousand pesos (P5,000.00), or both at the discretion of the court;

(3) A director, officer of committee member who violated the provisions of Article 47 (liability of directors, officers and committee members), Article 50 (disloyalty of a director) and Article 51 (illegal use of confidential information) shall upon conviction suffer a fine of not less than Five thousand pesos (P5,000.00) nor more than Five hundred thousand pesos (P500,000.00) or imprisonment of not less than five(5) years but not more than ten (10) years or both at the court's discretion;

(4) Any violation of any provision of this Code for which no penalty is imposed shall be punished by imprisonment of not less that six (6) months nor more than one (1) year and a fine of not less than One thousand pesos (P1,000.00), or both at the discretion of the court.

**ART. 125. Printing and Distribution-** (1) The National Printing Office shall publish this Code in the Official Gazette in full within sixty (60) days from the date of approval thereof. Copies of this Code shall be given to every department, agency and instrumentality of the National Government, including regional, provincial offices and local governments including government-owned and controlled corporations.

(2) All duly registered cooperative and their federations, unions and associations, and cooperative corporations shall be given One (1) copy each at cost. Thereafter, every newly registered cooperative corporations shall be issued at cost a copy of this code and the regulations promulgated thereon together with its certificates of registration.

**ART. 126. Interpretation and Construction** - In case of doubt as to the meaning of any provision of this Code of the regulations issued in pursuance therof, the same shall be resolved liberally in favor of the cooperatives and their members.

**ART. 127. Repeals** - Except as expressly provided by this Code, Presidential Decree No.175 and all other laws, or parts thereof, inconsistent with any provision of this Code shall be deemed repealed: Provided, however, That nothing in this Code shall be interpreted to mean the amendment or repeal of any provision of Presidential Decree No. 269: Provided, further, That the electric cooperatives which qualify as such under this code shall fall under the coverage therof.

**ART. 128. Transitory Provisions** - All cooperatives registered under Presidential Decree No. 175 and 775 and Executive Order No. 898, and all

other laws shall be deemed registered with the Cooperative Development Authority: Provided, however, That they shall submit to the nearest Cooperative Development authority office their certificate of registration, copies of the articles of cooperation and bylaws and their latest duly audited financial statement within one (1) year from the effectivity of this Act, otherwise their registration shall be cancelled: Provided, further, That cooperatives created under Presidential Decree No. 1645, shall be given three (3) years within which to qualify and register with the Authority: Provided, finally, That after these cooperatives shall have qualified and registered, the provisions of Sections 3 and 5 of Presidential Decree No. 1645 shall no longer be applicable to said cooperatives.

**ART. 129. Separability** - Should any part of this Code be declared unconstitutional, the rest of the provisions shall not be affected thereby.

**ART. 130. Effectivity** - This Code shall take effect fifteen (15) days from its publication in a newspaper of general circulation.

Approved,

Sd/-

JOVITO R. SALONGA  
President of the Senate

Sd/-

RAMON V. MITRA  
Speaker of the House of Representatives

This act which is a consolidation of House Bill No. 13029 and Senate Bill No. 513 was finally passed by the House of Representatives and the Senate on March 5, 1990 and March 2, 1990 respectively.

Sd/-

EDWIN P. ACOBA  
Secretary of the Senate

Sd/-

QUIRINO D. ABAD SANITOS, JR.  
Secretary of the House of Representatives

Approved: March 10, 1990.

Sd/-

CORAZON C. AQUINO  
President of the Philippines

# Congress of the Philippines

## Metro Manila

### THIRD REGULAR SESSION

[Republic Act No. 6939]

Begun and held in Metro Manila, on Monday, the twenty-fourth day of July, nineteen hundred and eighty-nine.

AN ACT CREATING THE COOPERATIVE DEVELOPMENT AUTHORITY TO PROMOTE THE VIABILITY AND GROWTH OF COOPERATIVES AS INSTRUMENTS OF EQUITY, SOCIAL JUSTICE AND ECONOMIC DEVELOPMENT, DEFINING ITS POWERS, FUNCTIONS AND RESPONSIBILITIES, RATIONALIZING GOVERNMENT POLICIES AND AGENCIES WITH COOPERATIVE DEVELOPMENT, TRANSFERRING THE REGISTRATION AND REGULATION FUNCTIONS OF EXISTING GOVERNMENT AGENCIES ON COOPERATIVES AS SUCH AND CONSOLIDATING THE SAME WITH THE AUTHORITY, APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES.

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

**SEC. 1. Declaration of Policy** - It is hereby declared the policy of the Senate to promote the viability and growth of cooperatives as instruments of equity, social justice and economic development and to create an agency, in fulfillment of the mandate in Section 15, Article XII of the Constitution. Toward this end, the State shall recognize cooperatives as associations organized for the economic and social betterment of their members, operating business enterprises based on mutual aid, and founded upon internationally accepted cooperative principles and practices.

In furtherance of this policy, the appropriate national economic planning agency shall include the promotion of growth and expansion of cooperatives as a major and indispensable component of national development plans. All departments, branches subdivisions and instrumentalities of the Government shall promote the formation of cooperatives under their respective programs by providing them with appropriate and suitable incentives.

The State recognizes the cooperative sector as primarily responsible for the institutional development of cooperatives. Accordingly, the State recognizes the rights of the cooperative sector to initiate and foster within its own ranks cooperative promotion, organization, training, in formation gathering, audit and support services, with government assistance where necessary.

Government assistance to cooperatives shall be free any restriction and conditionality that may in any manner infringe upon the objectives and character of cooperatives as provided in this Act. The State shall, except as provided in this Act, maintain the policy of noninterference in the management and operation of cooperatives.

**SEC. 2. *Creation of the Cooperative Development Authority*** - The Cooperative Development Authority is hereby created under the Office of the President to carry out the provisions of this Act.

**SEC. 2. *Powers, Functions and Responsibilities*** - The Authority shall have the following powers, functions and responsibilities:

(a) Formulate, adopt and implement integrated and comprehensive plans and programs on cooperative development consistent with the national policy on cooperatives and the overall socio-economic development plans of the Government;

(b) Develop and conduct management and training programs upon request of cooperatives that will provide members of cooperative with the entrepreneurial capabilities, managerial expertise, and technical skills required for the efficient operation of their cooperatives and inculcate in them the true spirit of cooperativism and provide, when necessary, technical and professional assistance to ensure the viability and growth of cooperatives with special concern for agrarian reform, fishery and economically depressed sectors;

(c) Support the voluntary organization and consensual development of activities that promote cooperative movements and provide assistance toward upgrading managerial and technical expertise upon request of the cooperatives concerned;

(d) Coordinate the efforts of the local government units and the private sector in the promotion, organization, and development of cooperatives;

(e) Register all cooperatives and their federations and unions, including their division, merger, consolidation, dissolution or liquidation. It shall also register the *transfer of all or substantially all of their assets* and liabilities and such other matters as may be required by the Authority:

(f) Require all cooperatives, their federations and unions to submit their *annual financial statements*, duly audited by certified public accountants, and general information sheets;

(g) Order the cancellation after due notice and hearing of the cooperative's certificate of registration for non-compliance with administrative requirements and in cases of voluntary dissolution;

(h) Assist cooperatives in arranging for financial and other forms of assistance under such terms and conditions as are calculated to strengthen

their viability and autonomy;

(i) Establish extension offices as may be necessary and financially viable to implement this Act. Initially, there shall be extension offices in the Cities of Dagupan, Manila, Naga, Iloilo, Cebu, Cagayan de Oro and Davao;

(j) Impose and collect reasonable fees and charges in connection with the registration of cooperatives;

(k) Administer all grants and donations coursed through the Government for cooperative development, without prejudice to the right of cooperatives to directly receive and administer such grants and donations upon agreement with the grantors and donors thereof;

(l) Formulate and adopt continuing policy initiatives consultation with the cooperative sector through public hearing;

(m) Adopt rules and regulations for the conduct of its internal operations;

(n) Submit an annual report to the President and Congress on the state of the cooperative movement; and

(o) Exercise such other functions as may be necessary to implement the provisions of cooperative laws and, in the performance thereof, the Authority may summarily punish for direct contempt any person guilty of misconduct in the presence of the Authority which seriously interrupts any hearing or inquiry with a fine of not more than Five hundred pesos (P500.00) or imprisonment of not more than ten (10) days, or both. Acts constituting indirect contempt as defined under Rule 71 of the Rules of Court shall be punished in accordance with the said Rule.

**SEC. 4. Governing Body** - The Authority shall be governed by a Board of Administrators consisting of a Chairman and six (6) members to be appointed by the President, all of whom shall be chosen from among the nominees of the cooperative sector with two (2) representatives each from Luzon, Visayas and Mindanao. They shall serve for a term of six (6) years without reappointment: Provided, That among those first appointed, the Chairman shall serve for a term of six (6) years, three (3) members to serve for a term of four (4) years and three (3) members to serve for a term of two (2) years: Provided, further, That there shall be four (4) *ex officio* members, one (1) each from the : (a) Department of Agriculture, (b) Department of Transportation and Communications, (c) National Electrification Administration, and (d) Sugar Regulatory Administration. Said representation status for the agencies is on a nonvoting basis and terminates one (1) year from the operation of the Authority, but said *ex officio* members shall not be holding any other board position in any government entity. The chairman and members shall serve on a fulltime basis. Any vacancy in the Board shall be filled by appointment by the president in accordance with the membership allocation set forth in this section:

Provided, That a member so appointed shall serve only for the unexpired term.

**SEC. 5. *Qualifications of Members of the Governing Board*** - No person shall be appointed Chairman or member of the Board of Administrators unless he possesses the following qualifications:

(a) A natural-born Filipino citizen of legal age.

(b) A Bachelor's Degree in Cooperatives, Economics, Finance, Agriculture, Fisheries, Veterinary Medicine, Business, Social Science, Law, Management, or in similar fields of study and five (5) years of experience as an official or officer of a cooperative, government agency, or non-government organization engaged in cooperative development or, in the absence of a Bachelor's Degree, at least ten (10) years of experience in cooperatives either as an officer of a cooperative or a government agency or non-government organization engaged in cooperative development; and

(c) Must be a resident of the region he represents for at least five (5) years.

Any person appointed as Chairman or regular members of the Board of Administrators shall divest himself of any direct or indirect pecuniary interest in or dealings with cooperatives upon his appointment.

**SEC. 6. *Board of Administrators Meeting*** - The Board of Administrators shall meet at least once a month for the transaction of its regular business. Special meetings may be called by the Chairman or majority of the members to consider specific matters. A majority vote by the entire Board shall be required for a decision. All meetings of the Board shall be held at the head office in Metro Manila or at any other place as may be determined by the Board.

The Board of Administration shall appoint an Executive Director who shall be the chief operating officer of the Authority whose compensation shall be fixed by the Board of Administrators.

**SEC. 7. *Organization of the Authority*** - The Authority shall be organized within one hundred twenty (120) days from the effectivity of this Act.

**SEC. 8. *Mediation and Conciliation*** - Upon request of either or both parties, the Authority shall mediate and conciliate disputes within a cooperative or between cooperatives: Provided, That if no mediation or conciliation succeeds within three (3) months from request thereof, a certificate of non-resolution shall be issued by the commission prior to the filing of appropriate action before the proper courts.

**SEC. 9. *Power to Register Cooperatives*** - The power to register cooperatives shall be vested solely on the Authority. The functions of the

following departments and agencies relating to the registration of cooperatives as such are hereby transferred to the Authority.

- (a) The Department of Agriculture;
- (b) The Bureau of Agriculture Cooperatives Development;
- (c) The Department of Transportation and Communications;
- (d) The Sugar Regulatory Administration;
- (e) The National Electrification Administration ; and
- (f) Any other pertinent government agency.

The Bureau of Agricultural Cooperatives Development created under Executive Order No. 116, Series of 1987, is hereby abolished and its qualified employees are hereby absorbed by the Cooperative Development Authority, in accordance with its staffing pattern, subject to Civil Service rules and regulations and rules of the Office of Compensation and Position Classification: Provided, That the Regional Cooperative Development Assistance Offices of Regions IX and XII, created under Executive Order No. 634, are also hereby abolished and their employees shall be given preference for employment with the Cooperative Development Authority in accordance with its staffing pattern, subject to Civil Service rules and regulations: Provided, finally, That those who are not absorbed shall be given separation pay computed at one and fourth (1 1/4) months salary for every year of service. Service or six (6) months or more shall be considered as one (1) year in computing the years of service for severance pay and, whenever applicable, other retirement benefits under existing laws.

**SEC. 10. *Transfer of Funds and Programs*** - The Cooperative Development Loan Fund created under Presidential Decree No. 175, as amended, is hereby transferred from the Department of Agriculture to thy Authority.

The function of the Fund for Management Training and Assistance Program granted to the Department of Agriculture by Presidential Decree No. 175, as amended, is likewise hereby transferred to the Authority.

The fund provided for the Management Training and Assistance Program under Presidential Decree No. 175, as amended, is hereby converted into a fund for the development of cooperatives and may be used for such purpose upon the request of the cooperatives concerned: Provided, That duly registered cooperatives shall have the right to establish their own private training centers or federations for purposes of cooperative development.

In addition, the Cooperative Marketing Project as created under loan agreements which are now managed by the Department of Agriculture is likewise hereby transferred to the Authority.



**SEC. 11. *Cooperatives in the Education System*** - The history, philosophy, principles and practices of cooperatives and their role as a factor in the national economy shall be disseminated both in formal and non-formal education.

The role of non-government organizations, not registered as cooperatives but duly registered under Philippine laws and engaged in cooperative promotion, organization, research and education, shall be recognized. The Authority may accredit such non-government organisations as non-academic training organisations. The training courses offered by them may be eligible as credits for the purposes of academic, professional and career advancements of their trainees. Existing training centres for cooperatives may qualify as nongovernment organizations under his Act.

State colleges and universities shall provide technical assistance and guidance to cooperatives in the communities wherein they operate, upon request.

**SEC. 12. *Cooperatives in the Banking System*** - The promotion and development of cooperative banks as part of the Philippine banking system shall be a major concern of the Authority which shall undertake the necessary program toward this end in collaboration with the Central Bank of the Philippines and the cooperative sector concerned.

**SEC. 13. *Rule-Making Authority*** - The Authority is hereby authorized to promulgate, after due public hearing and upon approval of the President, such rules and regulations as may be necessary to implement the provisions of this Act. Such implementing rules and regulations shall take effect within fifteen (15) days after publication thereof in the Official Gazette or in two (2) newspapers of general circulation. All subsequent amendments to the implementing rules and regulations shall undergo the same process.

**SEC. 14. *Prohibition*** - No organization shall be allowed to use the title "cooperative" in its name unless it follows all generally accepted cooperative principles, applicable cooperative laws, and is duly registered under this Act. Provided, That organizations which have used the word "cooperative" as part of their nomenclature but which do not qualify as cooperatives under the provisions of this Act. shall have three (3) years within which to qualify and to register with the Authority. If at the end of the three-year period provided herein, the said organizations still do not qualify, it shall be unlawful for the organizations to continue using the word "cooperative" in their names.

**SEC. 15. *Information Campaign*** - The Cooperative Development Authority is mandated to conduct a six (6) months information campaign on the provisions of this Act, beginning three (3) from the effectivity of this Act.

**SEC. 16. *Appropriations*** - The funds needed to carry out the provisions of this Act shall be charged to the appropriations of the Bureau of

Agricultural Cooperatives Development and the Regional Cooperative Development Assistance Offices of Regions IX and XII under the current General Appropriations Act in addition to the appropriations of other departments/agencies/funds whose functions/programs are transferred to the Authority: Provided, That in its initial year of operations, an additional amount of not exceeding Sixty million pesos (P60,000,000.00.) may be requested and drawn by the Authority from the Contingent Fund of the President. Thereafter, such sums as may be necessary for its continued implementation shall be included in the annual General Appropriations Act.

**SEC. 17. *Transitory Provisions*** - All cooperatives registered under Presidential Decree Nos. 175 and 775, and Executive Order No. 898 shall be deemed registered with the Cooperative Development Authority: Provided, however, That they shall submit to the nearest Cooperative Development Authority office their certificates of registration, copies of their articles of incorporation and bylaws, and their latest duly audited financial statements within one (1) year from effectivity of this Act, otherwise, their registration shall be cancelled: Provided further, That cooperatives created under Presidential Decree No. 269, as amended by Presidential Decree No. 1645 shall be given three (3) years within which to qualify and register with the authority: Provided, finally, That after these cooperatives shall have qualified and registered, the provisions of Section 3 and 5 of Presidential Decree No. 1645 shall no longer be applicable to the said cooperatives.

**SEC. 18. *Repeals*** - All acts, general orders, executive orders, letters of implementation, letters of instruction, regulations or circulars, or parts thereof, inconsistent with any of the provisions of this Act are hereby repealed or modified accordingly. In case of doubt, the same shall be resolved in favor of the cooperatives.

**SEC. 19. *Separability*** - If for any cause any part of this Act is declared unconstitutional, the rest of the provisions shall remain in force and effect.

**SEC. 20. *Effectivity*** - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved :

Sd/-

JOVITO R. SALONGA  
President of the Senate

Sd/-

RAMON V. MITRA  
Speaker of the House of Representatives

This Act which is a consolidation of House Bill No. 10787 and Senate Bill No. 485 was finally passed by the House of Representatives and the Senate on February 22, 1990 and March 2, 1990, respectively.

Sd/-

EDWIN P. ACOBA  
Secretary of the Senate

Sd/-

QUIRINO D. ABAD SANTOS, JR  
Secretary of the House of Representatives

Approved : March 10, 1990

Sd/-

COBAZON C. AQUINO  
President of the Philippines

# SRI LANKA

## Co-operative Societies Law

No. 5 of 1972

- A. *Law to provide for the Development of Co-operative Societies and to consolidate and amend the law relating to the Constitution and Control of Co-operative Societies and to provide for matters connected therewith and incidental thereto.*

Be it enacted by the National State Assembly of the Republic of Sri Lanka as follows:

1. This Law may be cited as the Co-operative Societies Law, No. 5 of 1972.

### CHAPTER I

#### Registration

2. (1) There may be appointed a Registrar of Co-operative Societies for Sri Lanka or any portion thereof and such member of Deputy, Senior Assistant, or Assistant, Registrars as may be necessary.

(2) the Minister may, by general or special Order, confer on any Deputy, Senior Assistant or Assistant Registrar all or any of the powers of a Registrar under this Law or under any rules made thereunder.

(3) The person appointed to be, or to act for the time being as, the Commissioner of Co-operative Development shall have and may exercise the same powers as are vested in the Registrar of Co-operative Societies by this Law and by any rules made or deemed to be made thereunder.

(4) Each of the persons appointed to assist the Commissioner of Co-operative Development shall have and may exercise such of the powers of the Registrar under this Law and under any rules made or deemed to be made thereunder as may be specified by the Minister in any general or special Order made under this section.

3. (1) Subject to the provisions hereinafter contained,—

(a) a society which has as its object the promotion of the economic, social or cultural interests of its members in accordance with co-operative principles, or

(b) a society established with the object of facilitating the operations of a society referred to in paragraph (a), or

(c) a society consisting of registered societies as members established for the purpose of providing co-operative education and training, advisory services to co-operative societies in Sri Lanka and other services for the promotion of the co-operative movement in Sri Lanka, or

(d) a society consisting of registered societies as members established for the purpose of planning, co-ordinating, and facilitating the activities of such co-operative societies in Sri Lanka or any part thereof as are engaged in marketing, industry, agriculture, fisheries or in such other activity as may be approved by the Registrar.

may be registered under this Law with or without limited liability:

Provided that the liability of a society of which a member is a registered society shall be limited.

(2) Where the liability of the members of a society is limited, no member other than a registered society shall hold more than such portion of the share capital of the society, subject to a maximum of one-fifth, as may be prescribed by the rules.

4. (1) No society, other than a society of which a member is a registered society, shall be registered under this Law, if it does not consist of at least ten persons each of whom is above the age of eighteen years and resides or is employed or owns immovable property within the proposed area of operations of the society seeking registration.

(2) Where for the purposes of this section any question arises as to the age, residence, employment or property qualification of any person, that question shall be decided by the Registrar whose decision shall be final.

(3) The word "limited" shall be the last word in, or the equivalent of that word in Sinhala or Tamil shall form part of, the name of every society with limited liability registered under this Law.

5. (1) For the purposes of registration an application shall be made to the Registrar.

(2) The application shall be signed-

(a) in the case of a society of which no member is a registered society, by at least ten persons qualified in accordance with the requirements of section 4 (1); and

(b) in the case of a society of which a member is a registered society, by a duly authorized person on behalf of every such registered society, and, where all the members of the society are not registered societies, by ten other members, or, when there are less than ten other members, by all of them.

(3) the application shall be accompanied by two copies of the proposed by-laws of the society, and the persons by whom or on whose behalf such application is made shall furnish such information in regard to the society as Registrar may require.

6. If the Registrar is satisfied that a society has complied with the provisions of this Law and the rules, that the activity in which the society proposes to engage is economically feasible, and that its proposed by-laws are not contrary to this Law or to the rules, he may, if he thinks fit, register the society and its by-laws. An appeal in accordance with such rules as may be made in that behalf shall lie to the Minister against the refusal of the Registrar to register any society.

7. A certificate of registration signed by the Registrar shall be conclusive evidence that the society therein mentioned is duly registered, unless it is proved that the registration of the society has been cancelled.

8. (1) Any registered society may, subject to this Law and the rules made thereunder, amend its by-laws, including the by-law which declares the name of the society.

(2) No amendment of the by-laws of a registered society shall be valid until that amendment has been registered under this Law for which purpose two copies of the amendment shall be forwarded to the Registrar.

(3) If the Registrar is satisfied that any amendment of the by-laws is not contrary to this Law or to the rules, he may, if he thinks fit, register the amendment. An appeal in accordance with such rules as may be made in that behalf shall lie to the Minister against the refusal of the Registrar to register any amendment of any by-law.

(4) An amendment which changes the name of a society shall not affect any right or obligations of the society or of any of its members or past members, and any legal proceedings pending may be continued by or against the society under its new name.

(5) Where the Registrar registers an amendment of the by-laws of a registered society, he shall issue to the society a copy of the amendment certified by him, which shall be conclusive evidence of the fact that the amendment has been duly registered.

(6) In this section "amendment" includes the making of a new by-law and the variation or rescission of a bye-law.

9. (1) A registered society may, with the previous approval of the Registrar and by a resolution passed by a two-thirds majority of the

members or delegates present and voting at a general meeting of the society-

(a) transfer its assets and liabilities in whole or in part to any other registered society; or

(b) divide itself into two or more societies.

(2) Any two or more registered societies may, with the previous approval of the Registrar and by a resolution passed by a two-thirds majority of the members or delegations present and voting at a general meeting of each such society, amalgamate themselves and form a new society.

(3) The resolution of a registered society under subsection (1) or subsection (2) shall contain all particulars of the transfer, division or amalgamation, as the case may be.

(4) Where a registered society has passed any such resolution, it shall give notice thereof in writing to all its members and creditors and, notwithstanding any by-laws or contract to the contrary, any member or creditor shall, during the period of one month of the date of service of the notice upon him, have the option of withdrawing his shares, deposits or loans, as the case may be.

(5) Any member or creditor who does not exercise his option within the period specified in subsection (4) shall be deemed to have assented to the proposals contained in the resolution.

(6) Where a resolution passed by a registered society under this section involves the transfer of any assets and liabilities, the resolution shall, notwithstanding anything contained in any law for the time being in force, be a sufficient conveyance to vest the assets and liabilities in the transferee without any further assurance.

10. (1) Where the whole of the assets and liabilities of a registered society are transferred to another registered society in accordance with the provisions of section 9, the registration of the first-mentioned society shall stand cancelled and that society shall be deemed to have been dissolved and shall cease to exist as a corporate body.

(2) When two or more registered societies are amalgamated into a new society in accordance with the provisions of section 9, the registration of each of the amalgamating societies shall stand cancelled on the registration of the new society and each such society shall be deemed to have been dissolved and shall cease to exist as a corporate body.

(3) Where a registered society divides itself into two or more societies in accordance with the provisions of section 9, the registration of that society shall stand cancelled on the registration of the new societies, and that society shall be deemed to have been dissolved and shall cease to exist as a corporate body.

## CHAPTER II

### Members of Registered Societies & Their Rights and Liabilities

11. (1) No member of a registered society shall exercise the rights of a member unless or until he has made such payment to the society in respect of membership or acquired such interest in the society, as may be prescribed by the rules or by-laws.

(2) Where a member of a registered society has not made such payment to the society or acquired such interest in the society as is referred to in subsection (1), it shall be lawful for the society, from any sum of money due from the society to such member in respect of the purchase of any scheduled agricultural product under the Agricultural Products (Guaranteed Prices and Control of Hulling and Milling) Act, No. 33 of 1961, to deduct any sum of money due to the society from such member in respect of such payment or such interest as is referred to in subsection (1).

12. (1) A registered society may admit any individual as an associate member.

(2) An associate member shall not be entitled to any share, in any form whatsoever, in the assets or profits of the society, or any vote in the conduct of the affairs of the society.

(3) Save as provided in this section, an associate member shall have such privileges and rights of a member and be subject to such liabilities of a member, as may be specified in the by-law of the society.

13. The minority or non-age of any person duly admitted as a member of any registered society shall not debar that person from executing any instrument or giving any acquittance necessary to be executed or given under this Law or the rules made thereunder, and shall not be a ground for invalidating or avoiding any contract entered into by any such person with the society; and any such contract entered into by any such person with the society, whether as principal or as surety, shall be enforceable at law by or against such person notwithstanding his minority or non-age.

14. The subsequent discovery, of any defect in the appointment of or of any disqualification for election of any officer of a registered society shall not be ground for invalidating or avoiding any contract entered into by such officer on behalf of such society.

15. No member of any primary society shall have more than one vote in the conduct of the affairs of the society:

Provided that in the case of an equality of votes the chairman shall have a casting vote.



16. (1) No member of any primary society shall at any meeting of the society exercise his vote except in person:

Provided, however, that voting through delegates at any meeting of the society may be allowed where it is so provided under the by-laws of the society.

(2) A registered society which is a member of any other registered society may appoint any one of its members for the purpose of voting in the conduct of the affairs of such other registered society.

17. (1) The transfer of the share or other interest of a member or past member or deceased member in the capital of a registered society shall be subject to such conditions as to maximum holding as may be prescribed by this Law or by the rules.

(2) In the case of a society registered with unlimited liability, a member shall not transfer any share held by him or his interest in the capital of the society or any part thereof, unless-

- (a) he has held such share or interest for not less than one year; and
- (b) the transfer is made to the society, or to a member of the society, or to a person whose application for membership has been accepted by the committee.

### **CHAPTER III**

#### **Duties of Registered Societies**

18. Every registered society shall have an address, registered in accordance with the rules, to which all notices and communications may be sent, and shall within seven days of any change of that address notify the Registrar of such change.

19. Every registered society shall keep a copy of this Law and of the rules and of its by-laws and a list of its members open to inspection, free of charge, at all reasonable times at the registered address of the society.

### **CHAPTER IV**

#### **Privileges of Registered Societies**

20. The registration of a society shall render it a body corporate by the name under which it is registered, with perpetual succession and a common seal, and with power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings, and to do all things necessary for the purpose of its constitution.

21. (1) A registered society which has as one of its objects the disposal of any article which is the produce of agriculture or animal husbandry or any other industry, may provide in its by-laws or may contract with its members-

- (a) that every such member who produces any such article, shall dispose of the whole or of any specified amount, proportion or description thereof to or through the society, and
- (b) that any member who is proved or adjudged, in such manner as may be prescribed by rules, to be guilty of a breach of the by-laws or contract, shall pay to the society as liquidated damages a sum ascertained or assessed in such manner as may be prescribed by rules, or by its by-laws.

(2) A contract made by a registered society under subsection (1) shall create in favour of the society a first charge upon all articles, whether produced or about to be produced, to which the contract relates.

(3) In any legal proceedings arising out of a contract under subsection (1), it shall not be a defence that the contract is in restraint of trade.

(4) A member of a registered society shall be deemed not to have contravened any by-law of the society which requires him to deliver any produce to the society, if the failure to deliver such produce was due to the fact that he had, prior to becoming a member of the society, contracted to deliver the produce to some other person.

(5) Every person who applies for membership of a registered society shall, if required so to do, disclose in his application particulars of all contracts made by him for the delivery of any produce to any other person.

22. (1) Where the Minister is satisfied in the case of any registered society that the members of the society or any section hereof are producers of any article in Sri Lanka, or in any province, district or area in Sri Lanka, the Minister may in his discretion, by Order, direct each producer of that article in Sri Lanka, or in such province, district or area in Sri Lanka, as the case may be, whether such producer is or is not a member of the society, to sell to or through the society such part of the total quantity of that article produced by him as is not required for his own use or consumption.

(2) Every Order made by the Minister under subsection (1) shall be published in the Gazette and shall specify the Article, the area in which the order shall operate and the basis on which the producer of such article shall be paid.

(3) Every Order shall come into operation on the date of its publication in the Gazette and shall subject to the provisions of subsection (5) continue in operation until it is rescinded.

(4) Every Order shall, as soon as may be after it has come into operation, be brought before the National State Assembly for approval.

(5) Every Order which the National State Assembly refuses to approve shall be deemed to be rescinded, but without prejudice to the validity of anything previously done or suffered to be done thereunder. The date on which an Order shall be deemed to be rescinded shall be the date on which the National State Assembly refuses to approve the Order, and such date shall be notified in the Gazette.

(6) (a) The Minister may at any time by Order published in the Gazette (such Order being hereinafter referred to as an "amending Order") vary any Order previously made under subsection (1). Every amending Order shall come into operation on the date of its publication in the Gazette.

(b) An Order made under subsection (1), which is varied by an amending Order shall continue in operation, as so varied, for the period during which it would have been in operation if it has not been so varied, and no longer.

(c) Every amending Order shall be brought before the National State Assembly for approval:

Provided, however, that where an Order made under sub-section (1) is varied by one or more amending Orders before it is approved by the National State Assembly under subsection (4), the Order, when it is brought before the National State Assembly for approval under that subsection, shall have incorporated therein all variations effected by such amending Order or Orders, and it shall not be necessary in any such case to bring any such amending Order separately before the National State Assembly.

(d) the refusal of the National State Assembly to approve any amending Order which is brought before the National State Assembly for approval shall be deemed to be a rescission of that amending Order, and the Order made under subsection (1) shall, from the date of such rescission, continue in operation as though that amending Order had not been made.

(e) The Minister may at any time rescind any Order previously made under subsection (1). Notification of the rescission of any such Order shall be published in the Gazette and such Order shall be deemed to be rescinded upon the date of such publication.

(7) Every Order shall, when approved by the National State Assembly, be as valid and effectual as if it were herein enacted.

(8) Every Notification required to be published in the Gazette under this section shall be published under the hand of the Minister.

(9) The provisions of any Order made under this section shall, notwithstanding that they are inconsistent with or in conflict with the

provisions of any other written law, prevail over such other written law for the period during which the Order is in force.

(10) Every producer who is directed by Order under subsection (1) to sell any article to or through a registered society of which he is not a member, shall, in respect of any such sale in compliance with such direction and of any matter or transaction arising out of such sale, be subject to the same conditions and obligations to which he would have been subject if he were a member of the society.

(11) Where any producer in respect of whom an Order is made under subsection (1), and who is not a member of the registered society, applies for admission as a member of the society, the society shall-

- (a) if he so desires, deduct from any funds received or held by the society on his account, the whole or any portion of the subscription for membership, and
- (b) admit him as a member upon payment in full of such subscription subject to any such deduction as aforesaid.

23. (1) Any person who, having knowledge or notice that any other person has contracted under section 21 or is bound by an Order under section 22 to sell any article produced by such other person to or through a registered society, solicits or persuades such other person to sell or deliver such article, in violation of such contract or in contravention of such Order, as the case may be shall be guilty of an offence and shall on conviction after summary trial before a Magistrate be liable to a fine not exceeding one thousand rupees.

(2) Where the person convicted of an offence under subsection (1) is a body corporate, every person who at the time of the commission of the offence was a director or officer of the body corporate shall be deemed to be guilty of that offence unless he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of the offence.

24. Subject to any prior claim of the Republic on the property of a debtor and to the lien or claim of a landlord in respect of rent or any money recoverable as rent, and in the case of immovable property, to any prior registered charge thereon-

(a) any debt or outstanding demand payable to a registered society by any member or past member shall be a first charge-

- (i) upon crops or other agricultural produce raised in whole or in part with a loan taken from the society by such member or past member;

- (ii) upon any cattle, fodder for cattle, agriculture or industrial implements, or raw materials for manufacture, or workshops, godown, or place of business, supplied to or purchased by such member or past members in whole or in part from any loan whether in money or goods given to him by the society:

Provided that nothing herein contained shall affect the claims of any bona fide purchaser or transferee, for value without notice, of any such crops, or other agricultural produce, cattle, fodder for cattle, or agricultural or industrial implements, or raw materials for manufacture; and

- (iii) upon any sum of money due from the society to such member in respect of the purchase of any scheduled agricultural product under the Agricultural Products (Guaranteed Prices and Control of Hulling and Milling) Act, No. 33 of 1961;

(b) any outstanding demands or dues payable to a housing society by any member or past member in respect of rent, shares, loans, or purchase money or any other rights or amounts payable to such society shall be a first charge upon his interest in the immovable property of the society.

25. A registered society shall have a charge upon the shares or other interests in the capital and on the deposits of a member or past member or deceased member and upon any dividend, bonus, or profits payable to a member or past member or to the estate of a deceased member in respect of-

- (a) a debt due to the society,
- (b) any debt due to any other registered society, or
- (c) any amount due to the liquidator of any registered society,

from such member or past member or estate, and may set off, or pay to such other society, or liquidator, as the case may be, any sum credited or payable to a member or past member or estate of a deceased member in or towards payment of any such debt or amount.

26. Subject to the provisions of section 25, the share, contribution or other interest of a member in the capital of a registered society shall not be liable to attachment or sale under any decree or order of a court in respect of any debt or liability incurred by such member, and neither his assignee in insolvency nor a receiver appointed under Chapter L of the Civil Procedure Code, shall be entitled to, or have any claim on, such share, contribution or other interest.

27. (1) On the death of a member, a registered society may transfer the share or other interest of the deceased member to the person nominated in

accordance with the rules made in that behalf, or, if there is no person so nominated, to such persons as may appear to the committee to be the heir or legal representative of the deceased member, or may pay to such nominee, heir, or legal representative, as the case may be, a sum representing the value of such member's share or other interest, as ascertained in accordance with the rules or by-laws:

Provided that—

- (a) in the case of a society with unlimited liability, such nominee, heir, or legal representative, as the case may be, may require payment by the society of the value of the share or other interest of the deceased member ascertained as aforesaid; and
- (b) in the case of a society with limited liability, the society may transfer the share or other interest of the deceased member to such heir or legal representative, as the case may be, who is qualified in accordance with the rules and by-laws for membership of the society, or on his application within six months of the death of the deceased member to any person specified in the application who is so qualified.

(2) A registered society shall pay all other moneys due to the deceased member from the society to such nominee, heir, or legal representative, as the case may be.

(3) All transfers and payments made by a registered society in accordance with the provisions of this section shall be valid and effectual against any demand made upon the society by any other person.

28. (1) A registered society may receive deposits from or for the benefit of minors and it shall be lawful for a registered society to pay to such minors the interest which may become due on such deposits. Any deposits made by a minor may, together with the interest accrued thereon, be paid to that minor; and any deposit made on behalf of a minor may, together with the interest accrued thereon, be paid to the guardian of that minor for the use of the minor.

(2) The receipt of any minor or guardian for money paid to him by a society under this section shall be a sufficient discharge of the liability of that society in respect of that money.

29. (1) The liability of a past member for the debts of a registered society as they existed on the date on which he ceased to be a member shall continue for a period of two years reckoned from that date.

(2) The estate of a deceased member shall, for a period of two years reckoned from the date of his decease, be liable for the debts of the society as they existed on the date of his decease.

30. Any register or list of members kept by any registered society shall be prima facie evidence of any of the following particulars entered therein:

- (a) the date on which the name of any person was entered in such register or list as a member;
- (b) the date on which any such person ceased to be a member.

31. (1) A copy of any entry in a book of a registered society regularly kept in the course of business shall, if certified in such manner as may be prescribed by the rules, be received in any legal proceeding, civil or criminal, as prima facie evidence of the existence of such entry, and shall be admitted as evidence of the matters, transactions, and accounts therein recorded in every case where, and to the same extent as, the original entry itself is admissible.

(2) No officer of any registered society shall in any legal proceedings to which the society is not a party, be compelled to produce any of the society's books, the contents of which can be proved under subsection (1) or to appear as a witness to prove any matters, transactions or accounts therein recorded, unless the court for special reasons so directs.

32. Notwithstanding any written or other law for the time being in force, a registered society may-

- (a) pledge as security for a general balance of account any securities held by it; and
- (b) authorize the creditor, in the event of default of payment on the date of the termination of a notice issued to the society, to sell any or all of such securities, without recourse to court, and to credit the proceeds to such balance of account.

33. A registered society may acquire by purchase, gift or otherwise and take on lease lands, buildings or other movable or immovable property, or sell, mortgage, lease, exchange or otherwise dispose of lands, buildings or other movable or immovable property for any purpose connected with its objects:

Provided, however, that the prior approval in writing of the Registrar shall be obtained in case of any such transaction referred to in the proceeding provisions of this section as relates to any immovable property or to any such movable property as is specified in the rules made under this Law in that behalf.

34. (1) Where any land or building is required for any purpose connected with the objects of a registered society, that purpose shall be deemed to be a public purpose and that land or building may be acquired under the Land Acquisition Act by the Government for that society.

(2) Where any land or building is to be acquired under the Land Acquisition Act by the Government for a registered society, that society shall, before an Order relating to that land or building is made under section 38 of that Act; pay to the Government the amount determined under that Act as the compensation payable in respect of that land or building and also the cost incurred by the Government in the acquisition proceedings:

Provided, however, that where it becomes necessary to take possession of any land or building on the ground of any urgency before the amount of compensation is determined under that Act, that society shall pay to the Government before such Order is made such amount as in the opinion of the acquiring officer is likely to be determined as the compensation payable in respect of that land or building, and shall pay the balance amount, if any, after the amount of compensation is determined under that Act.

## **CHAPTER V**

### **Exemptions from Stamp Duty and Fees**

35. (1) Every registered society shall be exempt from-

- (a) any stamp duty chargeable under any written law in respect of any instrument executed by, or on behalf of, or in favour of, a registered society, or in respect of any document filed in a court in pursuance of the provisions of section 59, in cases where but for the exemption granted by this subsection, the registered society would be liable to pay the duty chargeable in respect of such instrument or document, and
- (b) any fees payable under the law for the time being in force relating to the registration of documents.

(2) Every member of a registered society shall be exempted from the payment of any stamp duty chargeable under any written law in respect of any instrument executed by such member in favour of, and relating to the business of, such registered society in cases where but for the exemption granted by this subsection the member would be liable to pay the duty chargeable in respect of such instrument.

## **CHAPTER VI**

### **General Provisions Relating to By-Laws**

36. (1) Every by-law of a registered society shall, upon registration, be binding upon the society and the members thereof to the same extent as if the by-law was signed by each member of the society and contained a covenant by each such member to observe the provisions of the by-law.



(2) Any dispute arising out of the interpretation of by-law of a registered society shall be referred to the Registrar for his decision, and his decision shall be final and conclusive in law.

37. No by-law made by a registered society in respect of any matter for which by-laws are authorized by any rule to be made, shall be called in question in any court of law on the ground only that such by-law constitute a contract in restraint of trade.

38. The by-law made by any registered society may, subject to any rules, provide for the imposition of fines on the members of the society for contravention of its by-laws:

Provided, however, that no such fine shall be imposed on any member unless—

- (a) notice in writing of the intention to impose such fine and the reasons therefor have been given in writing to him by the society; and
- (b) he has failed to show, within such time and in such manner as may be prescribed by rules, sufficient cause against the imposition of the fine.

## **CHAPTER VII**

### **Property and Funds of Registered Societies**

39. (1) A registered society shall not make any loan to any person other than a member:

Provided that, with the consent of the Registrar, a registered society may make loans to another registered society.

(2) Except with the permission of the Registrar, a registered society shall not lend money on the security of any movable property other than agricultural produce.

40. (1) A registered society shall receive deposits and loans from persons who are not members only to such extent and under such conditions as may be prescribed by the rules or by-laws.

(2) Where a loan is granted to a registered society by a bank on the mortgage of any immovable or movable property, such property shall, from and after the date of the registration of such mortgage under the Registration of Documents Ordinance, be charged with the payment of the moneys due under such mortgage in priority to every other debt of such registered society whatsoever and to every mortgage or charge affecting such property, except a mortgage or charge affecting such property which is secured by a mortgage duly registered under the Registration of Documents Ordinance prior to such date.

41. Save as provided in sections 39 and 40 the transactions of a registered society with persons other than members shall be subject to such prohibitions and restrictions as may be prescribed by the rules.

42. (1) A registered society may deposit or invest its funds in any of the securities other than a first mortgage of immovable property specified in section 20 of the Trusts Ordinance, or with any banker or person acting as a banker approved for this purpose by the Registrar, or in the shares or on the security of any other registered society, approved for this purpose by the Registrar, or any other mode permitted by the rules.

(2) Any deposit or investment made before the commencement of this Law which would have been valid if this Law had been in force is hereby ratified and confirmed.

43. (1) Every registered society shall, out of its net profits in any financial year as ascertained by the audit under section 44,-

- (a) transfer an amount not being less than twenty-five per centum of the net profits to the reserve fund of the society; and
- (b) contribute such portion of the net profits as may be prescribed by rules to the Cooperative Fund established under the rules.

(2) The balance of the net profits may be utilized for all or any of the following purposes:

- (a) payment of dividends to members on their paid-up share capital at a rate not exceeding the rate prescribed in the rules;
- (b) payment of rebates to members on the value of the business done by them with the society to the extent and in the manner specified in the by-laws;
- (c) contributions to such funds as may be prescribed in the by-law;
- (d) payment of bonus to employees of the society;
- (e) payment on such other account as may be specified in the by-laws;
- (f) contributions of an amount not exceeding ten per centum of the net profits of a Common Good Fund for expenditure on any social, cultural or recreational purpose, or the advancement of any other object of local or public utility.

(3) In the case of a society with unlimited liability, no distribution of profits shall be made without the general or special order of the Registrar.

## CHAPTER VIII

### Audit, Inquiry, Inspection or Investigation

44. (1) The Registrar shall audit or cause to be audited by some person authorized by him by general or special order in writing in that behalf the accounts of every registered society once at least in every year.

(2) The audit under sub section (1) shall include an examination of overdue debts, if any, and a valuation and verification of the assets and liabilities of the registered society.

(3) For the purposes of an audit under subsection (1) the Registrar or any person authorized by him to audit the accounts shall have the power-

(a) to summon any past or present officer, agent, servant or member of the society or any other person who, in the opinion of the Registrar or the person authorized by him to audit, can give material information about any transactions of the society or the management of its affairs;

(b) to require the production of any book or document relating to the affairs of the society, or any cash, security, or other property belonging to the society, by any past or present officer, agent, servant or member of the society or other person in possession of or having the custody of such book, document, cash, security or other property; and

(c) to take into his custody books of accounts or the documents of the society where he discovers a fraud in the course of such audit.

(4) The Registrar, or any person authorized by general or special order in writing in that behalf by the Registrar, shall at all times have access to all the books, accounts, papers, and securities of a registered society, and shall be entitled to inspect the cash in hand; and every officer or member of the society shall furnish such information in regard to the transactions and working of the society as the person making an audit may require.

(5) The Registrar and every person authorized by him to audit the accounts of a registered society shall be deemed to be public servants within the meaning of the Penal Code.

(6) (a) If, in the course of, or at the conclusion of, an audit under subsection (1), it is found that any person, who is or was entrusted with the organization or management of a society, or who is or has at any time been an officer or an employee of a society has made any payment or has used any funds of the society contrary to the provisions of this Law or the rules made under this Law or the by-laws of the society or the working rules of the society, the Registrar shall disallow every such payment and every such use

of funds and surcharge the same on the person making or authorizing the making of such illegal payment or such use of funds and shall charge against any person, the amount of any deficiency or loss incurred by the negligence or misconduct that person and any amount which ought to have been, but is not, brought into account by that person and shall in each case certify the amount due from such person and communicate his decision in writing to such person.

(b) Before making any disallowance or surcharge against any person, the Registrar, or any person authorized by general or special order in writing in that behalf by the Registrar, shall offer an opportunity to such person to be heard or to make any representations with regard to the matters which he may think fit, and shall in the event of his making such disallowance or surcharge, furnish such person in writing, on application being made to him for that purpose with the reasons for his decision in respect of such disallowance or surcharge.

(c) Any person aggrieved by any such disallowance or surcharge made by the Registrar may appeal therefrom to the Minister within fourteen days after the date of the decision of the Registrar being communicated to him, and the Minister's decision thereon shall be final and conclusive and shall not be questioned in any court:

Provided that no such appeal shall be entertained in any case in which the appellant has failed or neglected to make any representation with regard to the matter of such disallowance or surcharge after an opportunity to do so has been afforded to him by the Registrar in accordance with the provisions of paragraph (b).

(d) The provisions of section 66 (2) shall apply mutatis mutandis in a case where the decision made by the Registrar under paragraph (b), or a decision made by the Minister under paragraph (c), as the case may be, is not complied with.

45. (1) If on an audit held under section 44 any defects in the working of a registered society are disclosed, the Registrar may bring the defects to the notice of the society and if the society is a member of another society, also to the notice of that other society.

(2) The Registrar may make an order directing the society or its officers to take such action as may be specified in the order within the time mentioned therein to remedy the defects disclosed.

46. (1) The Registrar may of his own motion, and shall, on the application of a majority of the committee, or of not less than one-third of the members, of a registered society, hold an inquiry or direct some person authorized by him by order in writing in that behalf, to hold an enquiry into the constitution, working, and financial condition of the registered society.

(2) For the purposes of an inquiry under subsection (1), the Registrar or any person authorized by him to hold an inquiry, shall have the power-

- (a) to summon any past or present officer, agent, servant or member of the society or any other person who, in the opinion of the Registrar or the person authorized by him to inquire, can give material information about any transactions of the society or the management of its affairs;
- (b) to require the production of any book or document relating to the affairs of the society, or any cash, security, or other property belonging to the society, by any past or present officer, agent, servant or member of the society or other person in possession of or having the custody of such book, document, cash, security or other property;
- (c) to summon a general meeting of the members of the society at such time and place as may be specified by him to determine such matters as may be directed by him; and
- (d) to take into his custody books of accounts or the documents of the society where he discovers a fraud in the course of such inquiry.

(3) Any meeting summoned under subsection 2 (c) shall have all the powers of a general meeting called under the by-laws of the society and its proceedings shall be regulated by such by-laws except that no quorum shall be necessary for such meeting and the provisions of the by-laws relating to the period of notice relating to a general meeting shall not be applicable. The Registrar or any person authorized by him may preside at such meeting but shall have no vote; in the event of an equality of votes he shall have a casting vote.

(4) Where an inquiry is held under this section the Registrar shall communicate the result of the inquiry to the society and to the society, if any, of which that society is a member and to any bank to which the society is indebted.

(5) The Registrar and every person authorized by him to hold an inquiry under this section shall be deemed to be public servants within the meaning of the Penal Code.

47. (1) The Registrar may of his own motion, or on the application of a creditor of a registered society, inspect, or direct person authorized generally or specially by him by order in writing in that behalf to inspect, the books of the society:

Provided that no such inspection shall be made on the application of a creditor unless the applicant:

- (a) proves that an ascertained sum of money is then due to him and that he has demanded payment thereof and has not received satisfaction within a reasonable time; and
  - (b) deposits with the Registrar such sum as security for the costs of the proposed inspection as the Registrar may require.
- (2) The Registrar may of his own motion investigate or direct any person authorized by him to investigate the affairs of any registered society.
- (3) The Registrar, or any person authorized by the Registrar under this section,—
- (a) shall at all times have access to all the books, accounts, papers, and securities of a registered society, and shall be entitled to inspect the cash in hand; and every officer or member of the society shall furnish such information in regard to the transactions and working of the society as the person making an inspection or an investigation may require; and
  - (b) shall have the power to take into his custody books of accounts or the documents of the society where he discovers a fraud in the course of such inspection or investigation.
- (4) The results of any such inspection-
- (a) where such inspection is held of the Registrar's own motion, may be communicated by the Registrar to the society and to any bank to which the society is indebted; and
  - (b) where such inspection is held on the application of a creditor, shall be communicated by the Registrar to the creditor and to the society.
- (5) Where an inspection is held under subsection (1) on the application of a creditor of a registered society, the Registrar may apportion the costs, or such part of the costs, as he may think fit between the society and the creditor.
- (6) Any sum awarded by way of costs against any society or creditor under this section may be recovered, on application to the Magistrate's Court having jurisdiction in the place where the registered office of the society is situated or the creditor resides, in like manner as a fine imposed by the Court.
- (7) The Registrar and every person authorized by him to inspect the books or investigate the affairs of a registered society shall be deemed to be public servants within the meaning of the Penal Code.
- (8) Added by section 7 of Act 32 of 1983.

## CHAPTER IX

### Dissolution of the Committee of a Registered Society

**Amended by 9(1) of Act 32 of 1983.**

48. (1) If the Registrar is of the opinion after an inquiry under section 46 or an inspection made on an application of a creditor under section 47, that the committee of any registered society is not performing its duties properly, he may, after giving an opportunity to the committee to state its objections at a general meeting of the society summoned by him, by order in writing-

- (a) dissolve the committee; and
- (b) direct that the affairs of the society shall be managed and administered by a suitable person or persons appointed as hereinafter provided.

(2) Every direction under paragraph (b) of subsection (1) shall have effect for such period not exceeding two years as may be specified in the order containing such direction:

Provided, however, that the Registrar may in his discretion from time to time amend the order for the purpose of extending the period during which the direction shall have effect, so however that the aggregate period during which the direction shall so have effect shall not exceed four years.

(3) Where any order is made under subsection (1), the Registrar shall by the same or a subsequent order appoint a fit and proper person or two or more such persons to manage and administer the affairs of the society, and may from time to time remove or replace any person so appointed or appoint additional persons.

(4) Subject to the general direction and control of the Registrar, any person or persons appointed under this section to manage the affairs of a registered society-

- (a) shall have the power to recover the assets and discharge the liabilities of the society and take such other steps as may be necessary in its interests, and
- (b) may exercise all the powers, rights and privileges of a duly constituted committee of the society.

(5) Persons appointed under this section to manage the affairs of a registered society shall be jointly and severally responsible for any loss sustained through any such acts committed by them as are contrary to the law or the by-laws of the society.

(6) The Registrar may fix the remuneration payable to any person or persons appointed by him under this section to manage the affairs of a

registered society. The amount of such remuneration and other expenses, if any, incurred in the management of the society shall be payable from its funds.

(7) It shall be the duty of the person or persons appointed under this section to manage the affairs of a registered society and holding office immediately prior to the date on which the direction under paragraph (b) of subsection (1) ceases to have effect, to arrange, prior to the date aforesaid, for the appointment of a new committee in accordance with the laws of the society.

(8) No order under subsection (1) shall be made by the Registrar in respect of any registered society-

- (a) if the society is indebted to any bank, except after prior consultation with the bank in regard to the dissolution of the committee and to the persons by whom and the manner in which the affairs of the society are to be managed and administered; and
- (b) if the society is a co-operative bank, except with the prior approval of the People's Bank.

(9) Nothing in this section shall be deemed to affect the power of the Registrar to cancel the registration of the society under section 49.

(10) Added by Section 9(iii) of Act 32 of 1983.

## **CHAPTER X**

### **Dissolution of a Registered Society**

49. (1) If the Registrar, after an inquiry under section 46, or an inspection made on the application of a creditor under section 47, or on receipt of an application made by three-fourths of the members of a registered society, and after giving an opportunity to the society and to the creditors of such society to state their objections, is of opinion that the society ought to be dissolved, he may by order under his hand cancel the registration of the society.

(2) Any member or any creditor of a registered society may, within two months from the date of an order under subsection (1), appeal from such order to the Minister.

(3) Where no appeal is presented within two months from the making of an order cancelling the registration of a society, the order shall take effect on the expiry of that period. Where an appeal is presented within two months, the order shall not take effect until it is confirmed.



(4) Where the Registrar cancels the registration of a society under subsection (1), he may appoint one or more persons to be in charge of the books, documents and other property of the society and to manage the affairs of the society until the order cancelling the registration of the society takes effect, or until such order is reversed in appeal by the Minister.

On the appointment of such person or persons the committee of the society or any other person in charge of the books, documents, and other property of the society shall hand over such books, documents or property to the first mentioned person or persons and such committee shall until the order cancelling the registration takes effect or until such order is reversed in appeal by the Minister, cease to function.

50. The Registrar may by order in writing cancel the registration of any registered society—

- (a) where it is a condition of the registration of the society that the society shall consist of at least ten members if the number of members of such society has been reduced to less than ten; or
- (b) if a registered society has not commenced working during one year from the date of registration of such society or has ceased to work for a period of two years prior to the date of making the order of cancellation under this section.

51. Where the registration of a society is cancelled by an order under section 49 or under section 50, the society shall cease to exist as a corporate body from the date on which the order takes effect, hereinafter referred to as the date of dissolution:

Provided that any privileges conferred on the society by or under this Law shall be deemed to be vested in any liquidator or liquidators appointed for that society by the Registrar.

52. Where the registration of a society is cancelled by under section 49 of section 50 the Registrar may appoint one or more persons to be the liquidator or liquidators of the society.

All the property of the society shall vest in the liquidator or liquidators on the date on which the order of cancellation under section 49 or section 50, as the case may be, takes effect.

53. (1) A liquidator appointed under section 52 shall, subject to the guidance and control of the Registrar and to any limitations imposed by the Registrar by order under section 54, have power to-

- (a) determine from time to time the contributions to be made by members and past members or by the estates of deceased members of the society to its assets;

- (b) appoint a day by proclamation or notice before which creditors whose claims are not already recorded in the books of the society shall state their claims for admission or be excluded from any distribution made before they have proved them;
- (c) decide in accordance with the provisions of this Law any question of priority which arises between creditors;
- (d) refer for arbitration under section 58 any dispute of any description mentioned in that section (references therein to the society being construed as references to the liquidator), and institute and defend suits and other legal proceedings on behalf of the society by his name or office;
- (e) decide by what persons and in what proportions the costs of liquidation are to be borne;
- (f) give such direction in regard to the collection and distribution of assets as may be necessary in the course of winding up the society;
- (g) compromise any claim by or against the society provided the sanction of the Registrar has first been obtained;
- (h) call such general meetings of members as may be necessary for the proper conduct of the liquidation;
- (i) take possession of the books, documents and assets of the society;
- (j) sell the property of the society;
- (k) carry on the business of the society so far as may be necessary for winding it up beneficially:

Provided that nothing herein contained shall entitle the liquidator of a credit society to issue any loan; and

- (l) arrange for the distribution of the assets of the society in a convenient manner when a scheme of distribution has been approved by the Registrar.

(2) Where there is any debt payable by any member or past member to a society whose registration is cancelled under section 49 or section 50 and such person is a member of any other society registered under this Law after the date of such cancellation, then the liquidator of such first-mentioned society appointed under section 52, shall, subject to the guidance and control of the Registrar and to any other limitations imposed by the Registrar by order under section 54, have power to require that such other society shall recover, from any sum of money due from such society to such person, a sum not exceeding such debt in like manner as if it were a debt due from such member to such other society and transmit the same to the liquidator.

(3) Subject to such rules as may be made in that behalf, any liquidator appointed under this Law shall, in so far as such powers are necessary for carrying out the purposes of this section, have power to summon and enforce the attendance of parties and witnesses and to compel the production of documents by the same means and (so far as may be) in the same manner as is provided in the case of a District Court under the Civil Procedure Code.

54. A liquidator shall exercise his powers subject to the control and direction of the Registrar, who may-

- (a) rescind or vary any order made by a liquidator and make whatever new order is required;
- (b) remove a liquidator from office;
- (c) call for all books, documents, and assets of the society;
- (d) by order in writing limit the powers of a liquidator under section 53;
- (e) require accounts to be rendered to him by the liquidator at his discretion;
- (f) procure the auditing of the liquidator's accounts and authorize the distribution of the assets of the society;
- (g) make order for the remuneration of the liquidator; or
- (h) refer for arbitration any dispute (not being a dispute so referable under section 53 (1) (d) between the liquidator and any third party, if such party consents in writing to be bound by the decision of the arbitrator.

55. (1) The decision of an arbitrator on any matter referred to him under section 54 shall be binding upon the parties, and shall be enforceable in like manner as an order made by the Registrar under that section.

(2) An order made by a liquidator or by the Registrar under section 53 or section 54 shall not be called in question in any civil court, and shall be enforced by any civil court having jurisdiction over the place where the registered office of the society is situated in like manner as a decree of that court:

Provided that any bank which is a creditor of a society whose registration has been cancelled shall be entitled to appeal to the Minister from an order made by a liquidator or by the Registrar under section 53 or section 54 within two months from the date of such order of the liquidator or the Registrar.

(3) Where no appeal is presented to the Minister within two months of the making of an order by a liquidator or by the Registrar under section 53

or section 54 such order of the liquidator or the Registrar shall take effect on the expiry of that period. Where an appeal is presented to the Minister within the two months, the order of the liquidator or the Registrar shall not take effect until it is confirmed by the Minister.

56. Save in so far as herein before expressly provided, no civil court shall have any jurisdiction in respect of any matter concerned with the dissolution of a registered society under this Law.

57. (1) In the liquidation of a society whose registration has been cancelled, the funds including the reserve fund, shall subject to the provisions of section 40 (2) be applied first to the costs of liquidation, then to the repayment of Government loans and Government guaranteed loans, then to the discharge of the other liabilities of the society, then to the payment of the share capital and then, provided the by-laws of the society permit, to the payment of a dividend at a rate not exceeding six per centum per annum for any period for which no disposal of profits was made, and to the payment of a rebate to members for any period for which no disposal of profits has been made where such period is immediately preceding the date of dissolution.

(2) When liquidation of a society has been closed and any creditor of that society has not claimed or received what is due to him under the scheme of distribution, notice of the closing of the liquidation shall be published in the Gazette; and, in respect of any claim against the funds of such society, no action shall be maintainable unless it is commenced within three months from the date of the publication of such notice in the Gazette.

(3) Any surplus remaining after the application of the funds to the purposes specified in subsection (1) and the payment of any claims for which an action is instituted under subsection (2), may be applied to such object of local or public utility as may be selected, subject to the approval of the Registrar, by the persons who were officers of the society at the date of the dissolution thereof.

If such persons fail within three months after the date on which the liquidation of the society is closed to select as aforesaid an object approved by the Registrar, the Registrar shall deposit the surplus in a bank or with a registered society.

The surplus so deposited may be paid into such Surplus Fund as may be constituted for the purposes of this Law. Disbursement out of such Surplus Fund may be made at the discretion of the Registrar for such purposes and in such manner as may be provided in the rules:

Provided, however, that any interest accruing on the surplus may be paid into the Co-operative Fund.

## CHAPTER XI

### Disputes

58. (1) If any dispute touching the business of a registered society arises—

- (a) among members, past members and persons claiming through members, past members and deceased members, or among officers or employees of the society, whether past or present, or among heirs or legal representatives of deceased officers or employees; or
- (b) between a member, past member or person claiming through a member, past member or deceased member, and the society, its committee or any officer or employee of the society, whether past or present, or any heir or legal representative of any deceased officer or employee; or
- (c) between the society or its committee and any officer or employee of the society, whether past or present, or any heir or legal representative of any deceased officer or employee; or
- (d) between the society or its committee and-
  - (i) any person who was a member or an officer or employee of any other society whose business or part thereof was transferred to the society;
  - (ii) any person who claims through any member or past member or deceased member of the society referred to in sub-paragraph (i);
  - (iii) any person who is the heir or legal representative of any officer or employee of the society referred to in sub-paragraph (i); or
- (e) between the society and any other registered society, such disputes shall be referred to the Registrar for decision.

A claim by a registered society for any debt, demand or damages due to it from a member, officer or employee, whether past or present or any nominee heir or legal representative of a deceased member, officer or employee, whether such debt, demand or damages be admitted or not, shall be deemed to be a dispute touching the business of the society within the meaning of this subsection.

- (2) The Registrar may, on receipt of reference under subsection (1)-
- (a) decide the dispute himself, or
  - (b) refer it for disposal to an arbitrator or arbitrators.

(3) Any party aggrieved by the award of the arbitrator or arbitrators may appeal therefrom to the Registrar within such period and in such manner as may be prescribed by rules.

(4) No party to any appeal made to the Registrar under subsection (3) shall be entitled, either by himself or by any representative, to appear before and be heard by the Registrar on such appeal.

(5) A decision of the Registrar under subsection (2) or in appeal under subsection (3) shall be final and shall not be called in question in any civil court.

(6) The award of the arbitrator or arbitrators under subsection (2) shall, if no appeal is preferred to the Registrar under subsection (3) or if any such appeal is abandoned or withdrawn, be final and shall not be called in question in any civil court.

(7) The provisions of the Prescription Ordinance shall not apply to any claim which is the subject of a dispute under this section.

(8) If any question arises whether a dispute referred to the Registrar under this section is a dispute touching the business of a registered society the decision thereon of the Registrar shall be final and shall not be called in question in any civil court.

(9) In this section "member" includes associate member.

59. (1) Where a decision of the Registrar on a dispute or an appeal referred or made to him under section 58, hereafter in this section called a "decision" or an award of an arbitrator on a dispute referred to him under that section, from which award no appeal has been duly made to the Registrar under that section, hereafter in this section called an "award", is that a sum of money is due from one party to the dispute to another party to the dispute, and such sum together with costs and interest, if any, has not been paid, the Registrar may in respect of the party from whom such sum is due, hereafter in this section called the "defaulter",-

- (a) issue a certificate to a Government Agent, Assistant Government Agent, Fiscal or Deputy Fiscal, containing particulars of such sum, together with costs and interest, and the name of such defaulter; or
- (b) issue a certificate to a District Court having jurisdiction in any district where the defaulter resides or in which any property movable or immovable owned by the defaulter is situate, containing particulars of the sum due together with costs and interest, if any, and the name of the defaulter; or
- (c) issue a certificate containing particulars of the amount due and the name and last-known place of business or residence of the defaulter.

to a Magistrate having jurisdiction in the division in which such place is situate.

(2) (a) Where the Registrar issues a certificate under paragraph (a) of subsection (1) to a Government Agent, Assistant Government Agent, Fiscal or Deputy Fiscal, such officer is hereby empowered and required to cause such sum together with costs and interest to be recovered from the defaulter by seizure and sale of his movable property.

(b) The said seizure shall be effected in such manner as such officer shall deem most expedient in that behalf, and every property so seized shall be kept for five days at the cost and charge of the defaulter. If the defaulter does not pay such sum as is due together with costs and interest, and the cost and charge of seizing and keeping the property, within the said five days the Government Agent, Assistant Government Agent, Fiscal or Deputy Fiscal, as the case may be, shall cause the said property to be sold by public auction.

(c) The sum realised by the sale shall be applied-

- (i) first, in payment of the cost and charge of seizing, keeping and selling the property, and
- (ii) secondly, in satisfaction of the sum of money due together with costs and interest, and any balance shall be restored to the owner of the property seized.

(3) Where a certificate is issued to a District Court under paragraph (b) of subsection (1), the Court shall thereupon direct a writ of execution to issue to the Fiscal authorizing and requiring him to seize and sell all or any of the property movable and immovable of the defaulter, or such part thereof as he may deem necessary for the recovery of such sum, and the provisions of sections 226 and 297 of the Civil Procedure Code shall, mutatis mutandis, apply to such seizure and sale.

(4) Where a certificate is issued to a Magistrate under paragraph (c) of subsection (1), the Magistrate shall thereupon summon such defaulter before him to show cause why further proceedings for the recovery of the amount should not be taken against him, and in default of sufficient cause being shown, the amount shall be deemed to be a fine imposed by a sentence of the Magistrate on such defaulter for an offence punishable with fine only or not punishable with imprisonment, and the provisions of section 312 (except paragraphs (a) and (c) of subsection (1) of that section) of the Criminal Procedure Code shall thereupon apply, and the Magistrate may make any direction which, by the provisions of that section, he could have made at the time of imposing such sentence.

(5) Where the Registrar issues a certificate under this section, he shall issue to the defaulter a notification thereof by personal service, registered post or telegraph; but non-receipt of such notification by the defaulter shall not invalidate proceedings under this section.

(6) Nothing in this section shall authorize or require a District Court or Magistrate in any proceedings thereunder to consider, examine or decide the correctness of any statement in the certificate of the Registrar.

(7) Any sum realized by a sale under subsection (3) and any sum paid or levied as fine under subsection (4) shall be transmitted by the District Court or the Magistrate, as the case may be, to the Registrar who shall dispose of such sum in accordance with the relevant decision or award.

60. (1) Where the application for membership of a registered society made by any person is refused by the society, such person may appeal to the Registrar against the refusal and the decision of the Registrar on such appeal shall be final and binding on the society.

(2) Where any question arises as to whether a member of a registered society has been duly elected to any office in the society or whether a member has ceased to be a member or officer of the society, or whether any general meeting of the society had been validity held, that question shall be decided by the Registrar whose decision shall be final.

## CHAPTER XII

### Rules

61. (1) The Minister may make all such rules as may be necessary for the purpose of carrying out or giving effect to the principles and provisions of this Law.

(2) In particular, and without prejudice to the generality of the powers conferred by subsection (1), such rules may-

- (a) prescribe the conditions to be complied with in applying for the registration of a society and the procedure in the matter of such applications;
- (b) prescribe the conditions to be complied with by persons applying for admission or admitted as members, and provide for the election and admission of members from time to time and the payment to be made and interest to be acquired before exercising rights membership;
- (c) provide for the withdrawal and expulsion of members and for the payments to be made to members who withdraw or are expelled, and for the liabilities of past members;



- (d) prescribe the extent to which the registered society may limit the number of its members;
- (e) provide for the mode in which the value of a deceased member's interest shall be ascertained, and for the nomination of a person to whom such interest may be paid or transferred;
- (f) subject to the provisions of section 3, prescribe the maximum number of shares or portion of the capital of a registered society which may be held by a member;
- (g) prescribe the payments to be made, the conditions to be complied with, and the forms of the bonds, instruments or other documents to be executed, by members applying for loans or cash credits, the period for which loans may be made or credits granted, and the maximum amount which may be lent and the maximum credit which may be allowed to individual members;
- (h) prescribe the conditions under which profits may be distributed to the members of a society with unlimited liability, and the maximum rate of dividend which may be paid by societies;
- (i) regulate the manner in which funds may be raised by means of shares or debentures or otherwise and the rate of interest which may be paid on deposits;
- (j) provide for general meetings of the members, and for the procedure at such meetings and the powers to be exercised by such meetings;
- (jj) added by sub section 13 of Act 32 of 1983;
- (k) provided for the appointment, suspending, and removal of the members of the committee and other officers, and for the procedure at meetings of the committee, and for the powers to be exercised and the duties to be performed by the committee and other officers;
- (l) prescribe the matters in respect of which a society may or shall make by-laws, and for the procedure to be followed in making, altering, and rescinding by-laws, and the conditions to be satisfied prior to such making, alteration, or rescission.
- (m) prescribe the accounts and books to be kept by a registered society, and for the periodically publication of a balance sheet showing the assets and liabilities of a registered society;
- (n) provide for the audit of the accounts of registered societies and for the charges, if any, to be made for such audit and provide for the levy of contributions from all of any registered societies to a fund to be known as the Co-operative Fund, to be used for the audit and

- supervision of and assistance to existing societies and co-operative propaganda, for co-operative education and training, and provide for the administration of that Fund;
- (o) prescribe the returns to be submitted by registered societies to the Registrar, and the persons by whom and the form in which the same are to be made;
  - (p) provide for the persons by whom, and the form in which, copies of entries in books of registered societies may be certified;
  - (q) provide for the formation and maintenance of a register of members, and, where the liability of the members is limited by shares, of a register of shares;
  - (r) provide for the formation and the maintenance of reserve funds, and the objects to which such funds may be applied, and for the investment of any funds under the control of any registered society;
  - (s) prescribe the manner in which any question, as to the breach of any by-law or contract relating to the disposal of produce to or through a society, may be determined, and the manner in which the liquidated damages for any such breach may be ascertained or assessed;
  - (t) prescribe the mode of appointing an arbitrator or arbitrators, and the procedure to be followed in proceedings before the Registrar or such arbitrator or arbitrators, and the enforcement of the decisions of the Registrar or the awards of arbitrators;
  - (u) prescribe the conditions to be observed by a registered society applying for the financial assistance of Government;
  - (v) determine the cases, not expressly provided for in this Law, in which an appeal shall lie to the Minister against orders made by the Registrar;
  - (w) prescribe the procedure to be followed by liquidator appointed under section 52, and the cases in which appeals shall lie from the orders of such liquidator;
  - (x) provide for the establishment and maintenance of the Surplus Fund referred to in section 57 and prescribe the manner and purposes for which the moneys of such Fund may be disbursed;
  - (y) prescribe the forms to be used, the fees to be paid, the procedure to be observed, and all other matters connected with or incidental to the presentation, hearing and disposal of appeals under this Law or the rules made thereunder.

(3) No rule shall have effect unless it has been approved by the National State Assembly. Notification of such approval shall be published in the Gazette.

(4) Every rule shall, upon the publication in the Gazette of the Notification referred to in subsection (3), be as valid and effectual as though it were herein enacted.

## **CHAPTER XIII**

### **Debts due to Government**

62. (1) All sums due from a registered society, or from an officer or member or past member of a registered society as such, to the Government, including sums due on Government loans and Government guaranteed loans, and any costs awarded to the Government under section 46 may be recovered in manner provided for the recovery of debts due to the Republic by the Crown Debtors Ordinance, and shall, subject to the provisions of section 40(2), be entitled to a preference of payment over sums due to any other person or persons.

(2) Sums due from a registered society to Government and recoverable under subsection (1) may be recovered, first from the property of the society; secondly in the case of a registered society of which the liability of the members is limited, from the members, subject to the limit of their liability; and thirdly, in the case of other societies from the members.

## **CHAPTER XIV**

### **Miscellaneous**

63. Notwithstanding anything contained in this Law the Minister may by special order in each case, and subject to such conditions as he may impose, exempt any society from any of the requirements of this Law as to registration.

64. The Minister may by general or special order exempt any registered society or class of societies from any of the provisions of this Law, or may direct that such provisions shall apply to any society or class of societies with effect from such date or with such modifications as may be specified in the order.

65. (1) No person other than a registered society shall, without the sanction of the Minister, trade or carry on business under any name or title of which the word "co-operative", or in Sinhala the words "Eksath Sahakara" or "Samupakara" or in Tamil the words "Aikkiya" or "Kutturavu" form part:

Provided that nothing in this section shall apply to the use by any person or his successor in interest of any name or title under which he traded or carried on business prior to the twenty-second day of September, 1921.

(2) Whoever contravenes the provisions of this section shall be liable on conviction after summary trial by a Magistrate's Court to a fine which may extend to five hundred rupees, and in the case of a continuing offence, with a further fine of fifty rupees for each day on which the offence is continued after conviction therefor.

66. (1) Where in the course of an audit under section 44 or an inquiry under section 46, or inspection of books and investigation of affairs of a society under section 47, or in the course of the liquidation of a registered society, it appears that any sum of money or other property is due to the society from any person or group of persons who or which has taken part in the organization or management of the society or from any past or present officer or employee of the society, the Registrar may, of his own motion or upon the application of the committee or the liquidator or any creditor or contributor of the society, as the case may be, examine the conduct of such person or group of persons or officer or employee and make an order requiring him or such group-

- (a) to repay with such interest as the Registrar thinks fit such money or part thereof,
- (b) to restore such other property or part thereof, or
- (c) to contribute such sum as the Registrar thinks fit to the assets of the society by way of compensation.

Before making any such order against any person or group of persons the Registrar shall give that person or group of persons an opportunity of being heard and of showing cause why such order should not be made.

(2) Where an order under subsection (1) for the repayment of any sum to a registered society, or for the contribution of any sum to its assets by way of compensation, has not been complied with, such sum may be recovered by the society on application to the Magistrate having jurisdiction in the division in which the registered place of business of the society is situated or in which the person or group of persons or officer or employee against whom the order was made resides or carries on business as though it were a fine imposed by a sentence of the Magistrate, on such person or group of persons or officer or employee for an offence punishable with fine only or not punishable with imprisonment, and the provisions of section 312 (except paragraphs (a) and (c) of subsection (1) of that section) of the Criminal Procedure Code shall thereupon apply, and the Magistrate may make any direction which, by the provisions of that section he could have made at the

time of imposing such sentence. Nothing in this section shall authorize or require the Magistrate in any proceedings thereunder to consider, examine or decide the correctness of any order made by the Registrar.

(3) Neither the preceding provisions of this section nor the making of any order thereunder may be deemed or construed to preclude or otherwise affect the institution or maintenance of a prosecution against any person or group of persons, or officer or employee referred to in subsection (1) in respect of any offence under any other written law.

67. It shall be lawful for the Registrar, after the accounts of a registered society have been audited as provided in section 44 or after an inquiry under section 46 or inspection of books and investigation of affairs of a registered society has been held under section 47, to require any person, being a person who is or has at any time been entrusted with, or being a person having or at any time having had the dominion of, any money, in his capacity as an officer or a member or a servant of the society, to pay over or produce such amount of money or balance thereof which is shown in the books of accounts or statements kept or signed by such person as held by or due from him as such officer, member or servant; and if such person, upon being so required, fails to pay over or produce such amount of money or balance thereof forthwith or to duly account therefor, he shall be guilty of the offence of criminal breach of trust, and shall on conviction be subject to imprisonment of either description for a term which may extend to ten years and shall also be liable to a fine.

68. Notwithstanding anything in any other written law, the Registrar may, where he considers it necessary to do so, require any bank—

- (a) to furnish any information regarding the transactions of any registered society with the bank;
- (b) to produce a copy showing the account of the society with the bank from the ledger kept by the bank; or
- (c) to produce any cheques paid to the credit of the society or endorsed by the society.

69. The provisions of the Companies Ordinance, and of the Trade Ordinance, and of any enactments amending those Ordinances, shall not apply to societies registered under this Law.

70. (1) Every society registered or deemed to be registered under any enactment repealed by this Law, shall be deemed to be registered under this Law, and the by-laws of such society shall, so far as they are not inconsistent with the express provisions of this Law, continue in force until altered or rescinded.

(2) All rules made under any enactment repealed by this Law and in force at the time of the commencement of this Law shall, in so far as they are not inconsistent with the provisions of this Law, be deemed to have been made under this Law and shall continue in force until new rules are made this section 61 in substitution for those rules.

(3) All appointments and orders made, notifications and notices issued, and suits and other proceedings instituted or deemed to have been made, issued or instituted and all disputes that have arisen under any enactment repealed by this Law, shall, so far as may be deemed to have been respectively made, issued and instituted and to have arisen under this Law.

71. Where any registered society carrying on banking business of any kind has insured its deposits under Part II of Chapter V of the Monetary Law Act, the assets relating to the deposits insured under that Part, shall notwithstanding anything in any other provisions of this Law, not be utilized for any purpose other than to meet the liabilities relating to such deposits.

72. (1) Every registered society or an officer or employee or member thereof which or who wilfully neglects or refuses to do any act or to furnish any information required for the purposes of this Law by the Registrar or other person duly authorized by him in that behalf, and every person who wilfully or without any reasonable excuse disobeys any summons, requisition or lawful written order issued under the provisions of this Law, or fails to furnish any information lawfully required from him by a person authorized to do so under the provisions of this Law, and every registered society or officer or employee or member thereof which or who wilfully makes a false return or furnishes false information, shall be guilty of an offence under this Law.

(2) Every person who commits any offence referred to in subsection (1) shall, on conviction after summary trial before a Magistrate, be liable to a fine not exceeding five hundred rupees.

(3) Where any offence under this Law is committed by a registered society, every officer of the society bound by the by-laws or the rules to perform any duty whereof the offence is a breach, or if there is no such officer, then every member of the committee, unless that member is proved to have been ignorant of or to have attempted to prevent the commission of the offence, shall be liable to the same penalty as if he had committed the offence.

73. The following enactments are hereby repealed:

- (i) The Co-operative Societies Ordinance (Chapter 124).
- (ii) The Co-operative Societies (Special Provisions) Act (Chapter 125).
- (iii) The Commissioner of Co-operative Development (Definition of Powers) Ordinance (Chapter 127).

(iv) The Co-operative Societies (Special Provisions) Act, No. 24 of 1958.

(v) The Co-operative Societies (Amendment) Act, No. 27 of 1964.

74. (1) Section 5 of the Co-operative Societies (Special Provisions) Act, No. 35 of 1970, is hereby amended in subsection (1) of that section, by the substitution, for paragraph (c) of that subsection, of the following new paragraph:

“(c) decide, subject to the provisions of section 40 (2) of the Co-operative Societies Law, 1972, any question of priority which arises between creditors;”

(2) The following new section is hereby inserted immediately after section 22, and shall have effect as section 22A, of the Co-operative Societies (Special Provisions) Act, No.35 of 1970:

22A. The Registrar may direct any society which in his opinion is registered consequent on the dissolution of another society, to employ any such employee of the dissolved society as may be nominated by him in such capacity and on such terms and conditions as may be determined by him. Any society which fails to comply with any such direction shall be guilty of an offence under this Act.

75. In this Law, unless the context otherwise requires—

(a) any person or body of persons, corporate or unincorporate, which carries on in Sri Lanka the business of accepting from the public, or of creating, demand deposits;

(b) any agency or institution acting on behalf of the Government (whether established by any written law or otherwise) which makes loans, advances or investments or accepts deposits of money from the public;

(c) the Development Finance Corporation of Ceylon established under the Development Finance Corporation of Ceylon Act; and

(d) any other person or body of persons declared by the Minister in charge of the subject of Finance, in consultation with the Minister in charge of the subject of Co-operative Development, by Order published in the Gazette, to be a bank for the purpose of this Law;

“by-laws” means the registered by-laws for the time being in force and includes a registered amended of the by-laws;

“committee” means the governing body of a registered society to whom the management of its affairs is entrusted and includes the board of directors of a registered society, and persons appointed by the Registrar under section 48;

"member" includes a person joining in the application for the registration of a society, and a person admitted to membership after registration in accordance with the rules and by-laws;

"officer" includes every person who is the chairman, secretary, treasurer or manager of a society or any branch thereof or a member of the committee of a society, and any other person who is empowered by the rules or by-laws of a society to give directions in regard to the business of the society;

"primary society" means a registered society not being a society established with any object, or for any purpose referred to in paragraph (b), (c) or (d) or section 3 (1);

"registered society" means a society registered or deemed to be registered under this Law;

"Registrar" means the person appointed to perform the duties of the Registrar of Co-operative Societies under this Law;

"rules" means rules made or deemed to have been made under this Law.



# Co-operative Societies (Amendment) Act

*No. 32 of 1983*

[Certified on 24th August, 1983]

*An Act to amend the Co-operative Societies Law,  
No. 5 of 1972*

Be it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows:—

1. This Act may be cited as the Co-operative Societies (Amendment) Act, No. 32 of 1983.

2. Section 39 of the Co-operative Societies Law, No. 5 of 1972 (hereinafter referred to as the "principal enactment") is hereby amended by the repeal of subsection (1) thereof, and the substitution therefor, of the following subsection:—

"(1) A registered society shall not make any loan to any person other than a member:

Provided that with the approval of the Registrar and on such conditions as may be prescribed by him, a registered society may make loans to another registered society and supply goods on credit to any registered trader who has been appointed as an agent of the society for the distribution of such goods."

3. The following new heading is substituted for the heading "Audit, Inquiry, Inspection or Investigation" occurring in Chapter VIII of the principal enactment:-

"Accounts, Budget, Audit, Inquiry, Inspection or Investigation."

4. The following new sections are hereby inserted immediately after the new heading to Chapter VIII of the principal enactment, and shall have effect as sections 43A and 43B of the enactment:-

43A. (1) Every registered society shall cause proper accounts of the income and expenditure, assets and liabilities and of all other transactions of the society to be kept.

(2) Every registered society shall prepare an annual statement of accounts and statistics relating to the activities of the society, as may be required by the Registrar or any person authorized by him. Such statement of accounts shall be submitted to the Registrar or other person authorized by him within three months of the close of the financial year to which it relates.

(3) Where a registered society fails to comply with any of the provisions of this section every member of the Committee of such society shall be guilty of an offence, and shall on conviction after summary trial before a Magistrate be liable to a fine not exceeding two thousand rupees:

Provided, however, that no such member shall be guilty of an offence if he proves that the offence was committed without his knowledge and that he exercised all due diligence to prevent the commission of that offence.

43B. (1) Every registered society shall prepare a budget in respect of every financial year, setting out projections of revenue, expenditure both recurrent and capital, financial and cash resources, investments of funds, budgeted profit and loss accounts, income and expenditure accounts and balance sheets pertaining to that year.

(2) Such budget shall be presented to the general body of the society for its approval not later than two months prior to the commencement of the financial year to which it relates.

(3) A copy of such budget shall be transmitted to the registrar one month prior to the commencement of the financial year to which it relates.

(4) The form and manner in which the budget shall be prepared and the minimum information that it should contain, shall be as determined by the Registrar.

(5) The Minister may where he considers it expedient to do so having regard to the membership of a registered society and its income and expenditure by special or general order exempt any society from the requirements of this section."

5. Section 44 of the principal enactment is hereby amended as follows:—

(i) by the repeal of subsection (4) thereof, and the substitution therefor, of the following subsection:—

"(4) The Registrar or any person authorized by general or special order in writing in that behalf by the Registrar, shall at all times have access to and be entitled to examine all books, documents, accounts and papers, securities and cash in hand of a registered society and every person in charge of or maintaining/ or having possession of the aforesaid shall produce them to the Registrar or such authorized person or furnish such information in regard to the transactions and working of the society as the Registrar or the authorized person making such inspection or audit may require.";

(ii) in subsection (6):—

(a) in paragraph (a) thereof, by the substitution for the words “or the rules made under this Law”, of the words, “or the rules made under this Law or any other law, rules or regulations relating to Co-operative Societies or financial procedure approved by the Registrar or any general directions issued by the Registrar or the Co-operative Employees’ Commission,”;

(b) by the repeal of paragraph (c) thereof, and the substitution therefor, of the following paragraph :-

“(c) The provisions of section 66 (2) shall apply, mutatis mutandis, in a case where the decision made by the Registrar, is not complied with”; and

(c) by the repeal of paragraph (d) thereof.

6. Section 46 of the principal enactment is hereby amended in subsection (2) by the repeal of paragraph (a) thereof, and the substitution therefor, of the following paragraph :-

“(d) to take into custody books of accounts or documents of the society where he has reason to believe that there is a fraud or irregularity in the course of such inquiry.”.

7. Section 47 of the principal enactment is hereby amended by the addition immediately after subsection (7) thereof, of the following new subsection:—

“(8) For the purpose of an inspection or investigation under the provisions of this section, the Registrar or any person authorized by him to hold an inspection or investigation, shall have the power -

(a) to summon any past or present officer, agent, servant or member of a society or any other person who in the opinion of the Registrar or the person authorized by him, to inquire, can give material information about any transaction of the society or management of its affairs;

(b) to require the production of any book or document relating to the affairs of the society by any past or present officer, agent, servant or member of the society or other person in possession of or having the custody of such book, document, cash, security or other property;

(c) to summon a general meeting of the members of the society at such time and place as may be specified by him, to determine such matters as may be directed by him; and

- (d) to take into his custody books of accounts or the documents of the society where he has reason to believe that there is a fraud, or irregularity in the course of such inspection or investigation."

8. The following new heading is substituted for the heading, "Dissolution of the committee of a registered society" occurring in Chapter IX of the principal enactment:-

"Suspension or interdiction and removal of officers of a registered society and dissolution of the committee of a registered society."

9. Section 48 of the principal enactment is hereby amended as follows:—

- (i) by the repeal of subsection (1) thereof, and the substitution therefor, of the following subsection:—

"(1) If the Registrar is of the opinion after an inquiry under section 46, or an inspection or investigation under section 47, that the committee of any registered society is not performing its duties in a proper manner, he may, after giving the committee an opportunity to state its objections, if any, to its dissolution, and after considering such objections at a general meeting of the society summoned by him, by order in writing-

(a) dissolve the committee; and

(b) direct that the affairs of the society shall be managed and administered by a suitable person or persons appointed as hereinafter provided.";

- (ii) by the repeal of paragraph (b) of subsection (4) thereof, and the substitution therefor, of the following paragraph:-

"(b) shall have and may exercise all the powers, rights and privileges of the duly constituted committee of the society and where it becomes necessary to do so in the interest of the efficient management of the affairs of such society, such of the powers of the general body as are necessary in such interest, to the exclusion of such general body."; and

- (iii) by the insertion immediately after subsection (9) thereof, of the following new subsection:—

"(10) Before the completion of an inquiry under section 46 or an inspection or investigation under section 47, if the Registrar is of opinion that a prima facie case has been established against the committee, the Registrar shall have the power to suspend such committee for a period of six months and appoint an interim board

to manage and administer the affairs of a society. The Registrar shall complete such inquiry or investigation within six months from the date of suspension of such committee and take a final decision regarding the dissolution of such committee under subsection (1)".

10. The following new Section is hereby inserted immediately after section 48 of the principal enactment, and shall have effect as Section 48A of that enactment:-

48A. (1) If the Registrar is of the opinion after an inquiry under section 46, or an inspection or investigation under section 47, that any officer or employee of any registered society is not performing his duties in a proper manner, or is unfit or otherwise unable to discharge his duties efficiently, he may notwithstanding anything to the contrary in this law, the Co-operative Employees Commission Act, No. 12 of 1972 or any other law after giving such officer or employee, an opportunity to state their objection by order in writing suspend or interdict as the case may be such officer or employee pending such inquiry as may be necessary and after such inquiry remove such officer or employee from office:

Provided that any employee aggrieved by an order of removal made under this subsection, may appeal therefrom to the Co-operative Employees Commission established under Act, No. 12 of 1972 within a period of thirty days, and the decision of such Commission shall be final.

(2) Where any officer or employee is removed under subsection (1) and where such order for removal has been affirmed by the Co-operative Employees' Commission or no appeal against such Order has been preferred within thirty days, another officer or employee may be elected or appointed as the case may be in accordance with the provisions applicable in respect to such election or appointment."

11. Section 49 of the principal enactment is hereby amended by the repeal of subsection (1) thereof, and the substitution therefor, of the following subsection:—

"(1) If the Registrar after an inquiry under section 46 or an inspection or investigation under section 47, or on receipt of an application for its dissolution made by three-fourths of the members of a registered society, and after giving an opportunity to the society and to the creditors of such society to state their objections, is of opinion that the society ought to be dissolved, he may by order under his hand cancel the registration of the society."

12. Section 59 of the principal enactment is hereby amended as follows:—

- (i) in subsection (3) thereof, by the substitution for the words and figures from, "and the provisions of sections 226 and 297" to the end

of that subsection, of the words and figures "and the provisions of sections 226 to 297 of the Civil Procedure Code shall, mutatis mutandis, apply to and in relation to such seizure and sale."; and

- (ii) in subsection (4) thereof, by the substitution for the words and figures "and the provisions of section 312 (except paragraphs (a) and (c) of subsection (1) of that section) of the Criminal Procedure Code", occurring in that subsection of the words and figures, "and the provisions of section 291 (except paragraphs (a) and (d) of subsection (1) of that section) of the Code of Criminal Procedure Act, No. 15 of 1979".

13. Section 61 of the principal enactment is hereby amended in subsection (2) thereof, by the insertion immediately after paragraph (j), of the following paragraph :-

"(jj) to prescribe the disqualifications of a member of a registered society from being elected as a member of the committee of management or of a regional or branch committee.";

14. Section 66 of the principal enactment is hereby amended as follows:-

- (i) in subsection (1) thereof, by the substitution for the words "employee of the society, the Registrar may", of the words "employee of the society, who has utilized the funds of the society contrary to the provisions of this Law or any other law or rules or regulations made thereunder or the by-laws or the working rules of the society or financial procedure approved by the Registrar or any general directions issued by the Registrar or the Co-operative Employees' Commission the Registrar may;" ;and

(ii) in subsection (2) thereof—

(a) by the substitution for the words "by the Society", of the words "by the Registrar"; and

(b) by the substitution for the words and figures "and the provisions of section 312 (except paragraphs (a) and (c) of subsection (1) of that section) of the Criminal Procedure Code", of the words and figures "and the provisions of section 291 (except paragraphs (a) and (d) of subsection (1) of that section) of the Code of Criminal Procedure Act, No. 15 of 1979".

15. The following new section is hereby inserted immediately after section 66 of the principal enactment and shall have effect as section 66A of that enactment:—

66A. Where the Registrar is of opinion that it is necessary or expedient to do so for the purpose of ensuring efficient management of the

affairs of a registered society or for the purpose of safeguarding any investments or advances in money or goods made to such registered society by the Government or any State Bank or State Corporation, he may, notwithstanding anything to the contrary in this Law or any other law or in the by-laws of such registered society, nominate such number of persons to be members of the Committee of such registered society as are in his opinion necessary or expedient for such purpose:

Provided that the number of such nominated members shall be less than one half of the total number of members of such Committee.”.

16. Section 67 of the principal enactment is hereby repealed and the following section substituted therefor:—

67. It shall be lawful for the Registrar, after the accounts of a registered society have been audited as provided in section 44 or after an inquiry under section 46 or an inspection of books and investigation of affairs of a registered society has been held under section 47, to require any person, being a person who is or has at any time been entrusted with or being a person having or at any time having had the dominion of, any money, or any goods or property, in his capacity as an officer or a member or a servant of the society, to pay over or produce such amount of money or balance thereof or pay the value of such goods or property which is shown in the books of accounts or statements kept or signed by such persons as held by or due from him as such officer, member or servant; and if such person upon being so required, fails to pay over or produce such amount of money or balance thereof forthwith or the value of such goods or property or to duly account therefor, he shall be guilty of the offence of criminal breach of trust and shall on conviction after summary trial before a Magistrate be liable to imprisonment of either description for a term not exceeding ten years and shall also be liable to a fine, notwithstanding that such punishment exceeds the ordinary jurisdiction of a Magistrate.”.

17. The following section is hereby inserted immediately after section 67 of the principal enactment and shall have effect as section 67A of that enactment:-

67A. It shall be lawful for an officer of the Department of Co-operative Development to investigate, inquire and conduct prosecutions which fall within Chapter XVIII of the Code of Criminal Procedure Act, No. 15 of 1979, in respect of any matter involving a registered society.”.

18. Section 70 of the principal enactment is hereby amended by the repeal of subsection (3) thereof, and the substitution therefor, of the following subsection:—

“(3) All appointments and orders made, notifications and notices issued, awards made by arbitrators, and decisions made by the Registrar,

and suits and other proceedings instituted or deemed to have been made, issued or instituted and all disputes that have arisen under any enactment repealed by this Law, shall, be deemed to have been respectively made, issued and instituted and to have arisen under this Law.”.

19. Section 72 of the principal enactment is hereby amended by the repeal of subsection (2) thereof, and the substitution therefor, of the following subsection:—

“(2) Every person who commits any offence referred to in subsection (1), shall on conviction after summary trial before a Magistrate, be liable to imprisonment of either description for a period not exceeding two years, or to a fine, not exceeding twelve thousand rupees, or to both such imprisonment and fine, notwithstanding that such punishment exceeds the ordinary jurisdiction of a Magistrate.”

20. The following new section is hereby inserted immediately after section 72 of the principal enactment, and shall have effect as section 72A of that enactment :-

72A. No suit or prosecution shall lie against the Registrar, Deputy Commissioner, Senior Assistant Commissioners, Assistant Commissioners, or other persons duly authorized or appointed by the Registrar under sections 44, 46, 47, 49, 52, 66 and 67 of this Law for any act which in good faith is done or purported to be done in the performance of their duties or the discharge of their functions under this Law.”.

21. Section 75 of the principal enactment is hereby amended by the substitution for the definition of the expression “officer”, of the following definition:—

“officer” includes every person who is the President, Vice President, Chairman, Vice- Chairman, Secretary, Treasurer or Manager of a society, or any branch thereof, or a member of the committee of a society, and any other person who is duly empowered to give directions in regard to the affairs of the society;’.



# THAILAND

## CO-OPERATIVE SOCIETIES ACT

B.E. 2511 (1968)

**BHUMIBOL ADULYADEJ, REX.**

Given on the 7th day of June, B.E. 2511;

Being the 23rd Year of the Present Reign

His Majesty King Bhumibol Adulyadej has been graciously pleased to proclaim that :

Whereas it is expedient to revise the law on co-operative societies;

Be it, therefore, enacted by the King, by and with the advice and consent of the Constituent Assembly in the capacity of the National Assembly, as follows:

Section 1. This Act is called the "Co-operative Societies Act, B.E. 2511".

Section 2. This Act shall come into force as from the day following the date of its publication in the Government Gazette.

Section 3. The following shall be repealed:

- (1) The Co-operative Societies Act, B.E. 2471:
- (2) The Co-operative Societies Amendment Act, B.E. 2476;
- (3) The Co-operative Societies Amendment Act, B.E. 2477;
- (4) The Co-operative Societies Amendment Act, B.E. 2477 (No.2).

Section 4. In this Act:

"co-operative Society" means a group of persons who jointly conduct affairs for mutual assistance and are registered under this Act

"member" means a member of a limited or unlimited co-operative society;

"Board" means the executive Board of a limited or unlimited co-operative society, of a co-operative federation in case of a co-operative federation or of the Co-operative League of Thailand in case of the Co-operative League of Thailand, as the case may be;

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\* Published in the Government Gazette, Vol. 85, Part 55, Special Issue, dated 19th June, 2511 (1968)

“regulation” means a regulation of a limited or unlimited co-operative society;

“competent official” means a person appointed by the Minister to carry out this Act;

“Minister” means the Minister of State having charge and control of the execution of this Act.

Section 5. The Minister of National Development\* shall have charge and control of the execution of this Act, and shall have the power to appoint competent officials and Ministerial Regulations for the purpose of carrying out this Act.

Such Ministerial Regulations shall come into force upon their publication in the Government Gazette.

Section 6. The Minister shall appoint a government official in the Ministry of National Development of a position not lower than that of a Director-General or its equivalent Registrar of Co-operative Societies with the power and duty provided in this Act, and a government official or government officials in the Ministry of National Development of a position not lower than that of a chief of Division or its equivalent Deputy Registrars of Co-operative Societies with the power and duty provided in this Act or entrusted by the Registrar of Co-operative Societies.

The appointment under paragraph one shall be published in the Government Gazette.

Section 7. There are two kinds of co-operative societies:

(1) a limited co-operative society is a cooperative society the liability of a member of which is limited to the amount of money remaining unpaid on the shares held by him;

(2) an unlimited co-operative society is a co-operative society the liability of all members of which is joint and unlimited for all its obligations.

Section 8. The Minister has the power to notify from time to time in the Government Gazette as to what type of co-operative society in what locality will be accepted for registration and the occupations of the prospective members thereof.

The type of co-operative society which will be accepted for registration shall be prescribed by Ministerial Regulations.

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*Wherever in this Act, the Minister of National Development and the Ministry of National Development, they signify, according to the present government organization, the Minister of Agriculture and Cooperatives and The Ministry of Agriculture and Cooperative respectively.*

Section 9. In case of a co-operative society dealing with any transaction which the law requires the acquisition, disposal, defence or retention of ownership of an immovable property or real right relating to an immovable property to be registered, such registration shall be exempted from the payment of fees.

Section 10. No person other than the co-operative societies registered under this Act and the Co-operative League of Thailand shall use the word "co-operative" as the name, or a part thereof, of his business.

**PART I**  
**Limited Co-operative Societies**

**CHAPTER I**  
**Registration of Limited Co-operative Societies**

Section 11. A group of not less than ten persons which may be registered as a limited co-operative Society under section 7(1) must:

- (1) have joint business according to the type of co-operative society for which the registration is applied and the object of such joint business is mutual assistance;
- (2) be natural person, sui juris, have the qualifications prescribed by a regulation, engage in any occupation prescribed in the notification of the Minister and voluntarily agree to be members thereof;
- (3) have capital which is divided into shares of equal value and each prospective member must hold at least one share but not more than one-fifth of the total number of shares;
- (4) have proper regulations under section 14.

Section 12. In applying for the registration of a limited co-operative society, prospective members of a limited co-operative society shall elect a founding committee of not less than ten members to sign the application for registration and file it with the Registrar of Co-operative Societies together with a list of names of all prospective members thereof and other particulars in the form prescribed by him as well as a copy of the minutes of the meeting of the prospective members thereof and two copies of the regulations.

Section 13. The Registrar of Co-operative Societies, Deputy Registrar of Co-operative Societies or a competent official entrusted by the Registrar of Co-operative Societies has the power to issue a written order requiring any person concerned to appear for enquiry or to send a document for the purpose of the consideration concerning the registration of a limited co-operative society.

Section 14. The regulations of a limited co-operative society must at least contain the following particulars:

- (1) name of co-operative society;
- (2) type of co-operative society;
- (3) objects;
- (4) office address.

(5) capital which is divided into shares, value of shares, payment of share value in cash or in kind, sale and transfer of shares as well as repayment of share value;

(6) operation, accounting and finance of co-operative society;

(7) qualifications of members, procedure for admission of members and loss of membership;

(8) general meeting;

(9) election, term of office, vacation of office and meeting of the Board;

(10) appointment, term of office, vacation of office, prescription of power, duty and responsibility of the Manager.

Section 15. Subject to section 8, when the Registrar of Co-operative Societies receives an application for registration and, having considered the application, he is of the opinion that it is in accordance with section 11 and that the documents under section 12 are complete and the formation of the co-operative society to be registered will not be detrimental to the co-operative society system, he shall register it.

In the case where the Registrar of Co-operative Societies gives an order refusing registration, the applicant shall be notified of the order in writing without delay.

The applicant is entitled to appeal against the order refusing registration to the Minister by filing an appeal with the Registrar of Co-operative Societies within thirty days from the date of receiving the order.

The decision of the Minister shall be final.

Section 16. In considering particulars concerning the application or those in the regulations, if the Registrar of Co-operative Societies is of the opinion that they are incorrect, he shall have the power to order the applicant to make an amendment thereof.

Section 17. When the Registrar of Co-operative Societies has registered a limited co-operative society, the group of persons who applied for registration of the co-operative society shall have the same power and duty to conduct the affairs as the Board of such co-operative society until the election of the Board under section 24.

Section 18. A registered limited co-operative society is a juristic person, and the Registrar of Co-operative Societies shall issue a certificate of registration to it, and the persons who signed the application for the registration of the limited co-operative society and the persons named in the list under section 12 shall be deemed its members from the date of registration made by him.

In case of persons applying for membership of a limited co-operative society after its registration, they shall be deemed members upon payment of their shares in accordance with the regulations thereof.

Section 19. A limited co-operative society must have the word "Limited" as the last word of its name.

Section 20. In payment of shares, members may not set off against the limited co-operative society.

## **CHAPTER 2**

### **Operation of Limited Co-operative Societies**

Section 21. For the purpose of carrying out its objects, a limited co-operative society may do the following:

(1) to acquire, purchase, hold ownership or real right, possess, raise a loan, borrow, hire, hire-purchase, take transfer of hire or hire-purchase mortgage or pledge, sell or dispose of property by any other means;

(2) to grant a loan, lend, let, let on hire-purchase, give credit to members, transfer or take mortgage or pledge of property of members;

(3) to lend money to any other co-operative societies with the approval of the Registrar of Co-operative Societies;

(4) to guarantee loans or credit of members and guarantee hire-purchase or lending of other property by members;

(5) to receive saving or fixed deposits from members in accordance with the rules of the co-operative society approved by the Registrar of Co-operative Societies;

(6) to purchase shares of a bank whose object is to provide financial assistance to co-operative societies;

(7) to purchase shares or debentures of a co-operative federation;

(8) to purchase shares of any other co-operative societies or institution whose business is to facilitate or promote the activities of co-operative societies with the approval of the Registrar of Co-operative Societies;

(9) to carry on business and trade for the benefit of members;

(10) to provide appropriate relief to members and their families who suffer from disaster in connection with their occupations;

(11) to give technical assistance to members;

(12) to apply for or accept technical assistance from the Government, foreign agencies or any other person, provided it is in accordance with the policy or direction made or given by the Registrar of Co-operative Societies;

(13) to carry on all other activities in connection with or relating to the realisation of the objects of the co-operative society.

Section 22. A loan or guarantee raised or given by a limited co-operative society shall be limited to the amount approved by the Registrar of Co-operative Societies.

Section 23. Any subsidy or property of the Government, foreign agencies or any other person, if given for a specific purpose, shall be used for such purpose; if not, it shall be allocated as reserve of the limited co-operative society.

Section 24. There shall be an executive Board of a limited co-operative society consisting of directors elected from members by the general meeting to carry on activities of and represent the limited co-operative society in matters concerning third persons. For this purpose, the Board may entrust a director or directors to act on its behalf.

Section 25. A limited co-operative society may have an inspector or inspectors elected from members or third persons by the general meeting to examine its activities and to report its findings to the general meeting.

Section 26. Any limited co-operative society having more than five hundred members may specify in its regulations that the general meeting may be attended by the representatives of members.

The method of election, number and term of office of the representatives of members shall be prescribed in the regulations.

Section 27. The founding committee of a limited co-operative society shall call the first ordinary general meeting within ninety days from the date of registration of the limited co-operative society in order to appoint the Board and hand over all matters to it.

Subsequent ordinary general meetings shall be called by the Board at least once a year within one hundred and fifty days from the last day of each accounting year of the co-operative society.

Section 28. The Board may call an extraordinary general meeting whenever it thinks fit. If the Registrar of Co-operative Societies gives a notice calling for an extraordinary general meeting, or in the case where the limited co-operative society has suffered a loss more than one-half of its paid-up share capital, it must be called without delay.

Members not less than one-fifth of its total number or not less than fifty members or representatives of members in case of having representatives

of members under section 26 not less than one-fifth of its total number or not less than twenty-five representatives of members may sign a petition, in respect of any particular matters, requesting that an extraordinary general meeting be called by the Board at any time.

In case of members or representatives of members of a limited co-operative society requesting for an extraordinary general meeting, the Board shall call it within thirty days from the date of receiving the petition. If the Board does not call it within the said period, the Registrar of Co-operative Societies or a person entrusted by him has the power to do so within a period he thinks fit.

Section 29. At a general meeting of a limited co-operative society, the presence of not less than one-half of the total number of members or not less than one hundred members, or, in case of a general meeting consisting of the representatives of members, not less than one-half of the total number of the representatives of members or not less than fifty members shall constitute a quorum.

Section 30. At a general meeting of a limited co-operative society, if the presence of members or representatives of members, as the case may be, is insufficient to constitute a quorum, another general meeting shall be called within fourteen days from the date of the first general meeting. As for the subsequent meeting, if it is not an extraordinary general meeting requested by the members, the presence of members or representatives of members, as the case may be, not less than one-tenth of the total number of members or representatives of members or not less than ten members shall be deemed to constitute a quorum.

Each member, regardless of the number of shares he holds, shall have one vote. In case of an equality of votes, the chairman of the meeting shall have an additional vote as a casting vote. The decision of a general meeting shall be made by a majority of votes except that a two-thirds majority of votes of members present shall be required in the following cases;

- (1) amendment of a regulation;
- (2) dissolution of the limited co-operative society;
- (3) any other matters which the regulations requires a two-thirds majority of votes of members present;

At a general meeting, a member or representative of members may not appoint another person his proxy.

Section 31. In appropriating the annual net profit of a limited co-operative society, at least ten per cent of the net profit shall be set aside as reserves and five per cent but not exceeding five thousand Baht of the net profit shall be subscribed to the Co-operative League of Thailand.



The balance of the annual net profit after having deduction as reserves and as subscription to the Co-operative League of Thailand may be appropriated by the general meeting as follows:

- (1) as dividend on paid-up shares as prescribed in the regulations but not exceeding eight per cent per annum;
- (2) as rebate to members in proportion to their business done with the limited co-operative society during the year as prescribed in the regulations;
- (3) as bonus to members of the Board and officials of the limited co-operative society as prescribed in the regulations but not exceeding ten per cent of the net profit;
- (4) as accumulated fund for operation of any activity of the limited co-operative society as prescribed in the regulations.

Section 32. The reserves under section 31 may be withdrawn from the reserve account only for the purpose of compensating a loss.

Section 33. A limited co-operative society may deposit or invest its money as follows:

- (1) deposit it in a bank whose object is to give financial assistance to co-operative societies, in the Government Savings Bank or a co-operative federation;
- (2) deposit it in any other co-operative society or in any bank, with the approval of the Registrar of Co-operative Societies, in case there is no bank under (1) in the locality;
- (3) invest it by purchasing Government securities.

Section 34. A limited co-operative society whose object is to sell agricultural produce grown by members shall buy or collect the produce of its members before those of other persons.

### **CHAPTER 3**

## **Supervision of Limited Co-operative Societies**

Section 35. The Registrar of Co-operative Societies, Deputy Registrar of Co-operative Societies, inspector of co-operative societies, auditor or competent official entrusted by the Registrar of co-operative Societies has the power to issue a written order instructing the Board, examiner, other official, member or representative of members of any limited co-operative society to appear for enquiry concerning the activities of the limited co-operative society or to send a document concerning the operation or minutes of the meetings of the limited co-operative society.

Section 36. for the purpose of carrying out this Act, the Registrar of Co-operative Societies, Deputy Registrar of Co-operative Societies, inspector of co-operative societies, auditor or competent official entrusted by the Registrar of Co-operative Societies has the power to enter and inspect the office of any limited co-operative society during its working hours, and the persons concerned shall provide facilities or assistance or give explanation to such persons as may be appropriate.

The person acting under paragraph one shall produce his identity card to persons concerned.

The identity card under paragraph two shall be in the form prescribed by the Minister.

Section 37. A limited co-operative society shall keep the following register:

(1) A register of members which must at least have the following particulars:

- (a) name, type and office address of the limited co-operative society;
- (b) names, nationalities and addresses of members;
- (c) date of becoming members.

(2) A register of shares which must at least have the following particulars:

- (a) name, type and office address of the limited co-operative society;
- (b) names of members holding shares, value of share, number of shares and paid-up shares;
- (c) date of acquisition of shares.

The limited co-operative society shall keep the registers under (1) and (2) at its office and shall send copies thereof to the Registrar of co-operative Societies within ninety days from the date of registration.

Whenever there is a change in any particular in the register of members or register of shares, the Registrar of Co-operative Societies shall be notified within ninety days from the date of such change.

Section 38. A limited co-operative society shall make a balance-sheet at least once in every twelve months, which is deemed to be an accounting year of the *limited co-operative society*. The balance-sheet must have particulars of assets and liabilities of the limited co-operative society together with the profit and loss account in the form prescribed by the Registrar of Co-operative Societies.

The balance-sheet must be completed and it must be examined by an auditor and then submitted to the general meeting of the limited co-operative society for approval within one hundred and fifty days from the end of the accounting year.

Section 39. A limited co-operative society shall make an annual report showing the results of the operation of the limited co-operative society and submit it together with the balance-sheet to the general meeting, and send copies of the report and balance-sheet to the Registrar of Co-operative Societies within thirty days from the date of the meeting.

Section 40. A limited co-operative society shall keep at its office annual reports showing the results of the operation of the limited co-operative society, balance-sheets together with the regulations and the law on co-operative societies for inspection by members.

Section 41. In the case where there is an amendment of the regulation, a limited co-operative society shall apply for the registration of the amendment thereof to the Registrar of Co-operative Societies within thirty days from the date of the resolution of the general meeting. If the Registrar of Co-operative Societies is of the opinion that the amendment of any clause thereof is contrary to section II, the Registrar of Co-operative Societies shall order the change thereof. If the change is not made, he shall refuse registration of the amendment of such clause.

In the case where such amendment is a change of name, the limited co-operative society shall return the certificate of registration issued under section 18 and the Registrar of Co-operative Societies shall issue to it a certificate of registration with the change of its name.

The change of the name of a limited co-operation society shall not affect the rights or liabilities of the limited co-operative society.

Section 42. A limited co-operative society may change its type by making an amendment of its regulations.

When a general meeting passes a resolution changing the type of the co-operative society, the limited co-operative society shall give notice to all its creditors and such notice shall be put up at the office of the limited co-operative society, Government co-operative society office and Amphoe office of the locality where the co-operative society is situated. If any creditor has any objection, the objection shall be sent to the limited co-operative society within sixty days from the date of receiving the notice.

If no creditor objects it within the prescribed period, it shall be deemed that there is no objection and the limited co-operative society may have the amendment of the regulations registered under section 41.

If a creditor objects it, the limited co-operative society may have the amendment of the regulations registered only after it has paid up the debt or given security for the payment thereof.

In applying for registration of the amendment of the regulations under section 41, the limited co-operative society shall produce a letter certifying that the limited co-operative society has given notice to all its creditors and no one has objected it within the prescribed period, or in the case where a creditor has objected it, the limited co-operative society has paid up the debt or given security for the payment thereof.

Section 43. In the case where the director, manager or other official of a limited co-operative society causes damage to the co-operative society, if it does not file a complaint or institute a legal proceeding the Registrar of Co-operative Societies shall file the complaint or institute legal proceeding, and the public prosecutor shall act as attorney therefor. The limited co-operative society shall reimburse the Registrar of Co-operative Societies or public prosecutor, as the case may be, in respect of the filing of complaint or instituting legal proceeding or acting as attorney.

Section 44. The Registrar of Co-operative Societies shall appoint an auditor to audit the accounts of the co-operative societies at least once a year.

The audit shall be conducted in accordance with the rules prescribed by the Registrar of Co-operative Societies and the auditing report shall be submitted in the form prescribed by the Registrar of Co-operative Societies.

Section 45. The Registrar of Co-operative Societies shall appoint an inspector of co-operative societies to examine the activities and financial conditions of the co-operative societies as may be prescribed by the Registrar of Co-operative Societies. After the examination, the report thereon shall be submitted to him.

Section 46. If a general meeting of a limited co-operative society passes a resolution in violation of law or regulations of the co-operative society, the Registrar of Co-operative Societies has the power to revoke it.

Section 47. In the case where the Board has caused undue performance of its duties to the extent that it becomes prejudicial to the interest of the limited co-operative society or its members, or the limited co-operative society has caused any mistake concerning its finance or accounts according to the auditing report under section 44, or the activities or financial conditions according to the examining report under section 45, the Registrar of Co-operative Societies, auditor or inspector of co-operative societies, as the case may be, who has knowledge of or found the mistake, shall give notice to the Board to rectify the mistake in accordance with the methods

prescribed by the Registrar of Co-operative Societies within thirty days from the date of receipt of notice. If the rectification has not been made within the prescribed period without justification and the Registrar of Co-operative Societies is of the opinion that it is not yet appropriate to order the dissolution of the limited co-operative society under section 51, he shall have the power to issue a written order with which the limited co-operative society just comply, as follows:

- (1) dismissing the entire Board or the member of the Board who is involved therein;
- (2) suspending certain acts which cause the mistake or are prejudicial to the interest of the limited co-operative society or its members;
- (3) stopping operation for the time being in order that rectification of the mistake may be carried out in accordance with the methods and within the period prescribed by him.

Section 48. In the case where the Registrar of Co-operative Societies dismisses the entire Board, he shall appoint an interim Board having the same powers and duties as the Board, which shall hold office not exceeding one hundred and eighty days from the date of appointment.

The interim Board shall receive the same remuneration as was received by the Board.

Before vacating office, the interim Board shall call a general meeting for the election of new members of the Board in accordance with the procedure prescribed in the regulations.

Section 49. In the case where the Registrar of Co-operative Societies dismisses certain members of the Board, he shall appoint members of the co-operative society members of the Board, and the new members of the Board shall hold office for the term of office of the persons they replace.

## **CHAPTER 4**

### **Dissolution of Limited Co-operative Societies**

Section 50. A limited co-operative society may be dissolved on any of the following grounds:

- (1) in the cases, if any, provided by its regulations;
- (2) when the limited co-operative society has less than ten members;
- (3) by resolution of a general meeting;
- (4) upon being bankrupt;
- (5) by order of the Registrar of Co-operative Societies under section 51.

The limited co-operative society dissolved under (1), (2), (3), or (4) shall notify the Registrar of Co-operative Societies within fifteen days from the date of dissolution. Notice of the dissolution of the co-operative society shall be put up by the Registrar of Co-operative Societies and the provisions of section 42 paragraph two concerning the putting up of notice shall apply *mutatis mutandis*.

Section 51. The Registrar of Co-operative Societies has the power to order the dissolution of a limited co-operative society when it appears that:

(1) more than one-half of the total number of members notify the Registrar of Co-operative Societies in writing that the limited co-operative society be dissolved, and give reasons therefor in detail;

(2) it has not commenced operation within one year from the date of registration or has ceased its operation for a continuous period of two years from the date of cessation;

(3) it is unable to operate successfully, or its operation will be prejudicial to itself or common interest.

Section 52. A limited co-operative society which is dissolved by the order under section 51(2) or (3) is entitled to appeal to the Minister by filing an appeal with the Registrar of Co-operative Societies within thirty days from the date of receiving the order.

The decision of the Minister shall be final.

Section 53. When a limited co-operative society is dissolved on any ground specified in section 50, it shall be liquidated in accordance with the provisions of Part V on Liquidation.

## PART II

# Unlimited Co-operative Societies

### CHAPTER I

## Registration, Operation and Supervision of Unlimited Co-operative Societies

Section 54. A group of not less than ten persons which may be registered as an unlimited co-operative society under section 7 (2) must:

- (1) have joint business according to the type of co-operative society for which the registration is applied and the object of such joint business is mutual assistance;
- (2) be natural persons, sui juris, have qualifications prescribed by a regulation, engage in any occupation prescribed in the notification of the Minister and voluntarily agree to be members thereof;
- (3) have proper regulations under section 55.

Section 55. The regulations of an unlimited co-operative society must at least contain the particulars under section 14 (1), (2), (3), (4), (6), (7), (8) and (9).

Section 56. The provisions of section 12 shall apply mutatis mutandis to the application for registration of an unlimited co-operative society.

Section 57. The registration of an unlimited co-operative society may be made only when all members have their residence within the same or neighbouring Tambons as the Registrar of Co-operative Societies thinks fit, and the provisions of section 13, section 15 and section 16 shall apply mutatis mutandis to the registration and the appeal of an unlimited co-operative society.

Section 58. A registered unlimited co-operative society is a juristic person; and the Registrar of Co-operative Societies shall issue a certificate of registration to it, and the persons who signed the application for its registration and the persons named in the list under section 56 shall be deemed its members from the date of registration made by him.

In case of persons applying for membership of an unlimited co-operative society after its registration, they shall be deemed members upon approval of the general meeting.

Section 59. The provisions of section 27 and section 28 shall apply mutatis mutandis to the ordinary and extraordinary general meetings of an unlimited co-operative society except that an ordinary general meeting must be called by the Board at least twice a year.

At a general meeting of an unlimited co-operative society, the presence of members not less than two-thirds of the total number of members shall constitute a quorum.

Section 60. At a general meeting of an unlimited co-operative society, if the presence of members is insufficient to constitute a quorum another general meeting shall be called within fourteen days from the date of the first general meeting. As for the subsequent meeting, if it is not an extraordinary general meeting requested by the members, the presence of members not less than one-fourth of the total number of members or not less than ten members shall be deemed to constitute a quorum.

Each member shall have one vote. In case of an equality of votes, the chairman of the meeting shall have an additional vote as a casting vote. The decisions of a general meeting shall be made by a majority of votes except that a two-thirds majority of votes of members present shall be required in the following cases:

- (1) admission of new members;
- (2) amendment of a regulation;
- (3) dissolution of the unlimited co-operative society;
- (4) any other matters which the regulations require a two-thirds majority of votes of members present.

At a general meeting, a member may not appoint another person his proxy.

Section 61. The annual net profit of an unlimited co-operative society shall be appropriated as follows:

- (1) five per cent as a contribution to its public fund;
- (2) five per cent as a contribution to the central fund of all unlimited co-operative societies;
- (3) five per cent but not more than five thousand Baht as a subscription to the Co-operative League of Thailand, and the amount in excess of five thousand Baht shall be transferred to its reserves;
- (4) not less than eighty-five per cent as its reserves.

Section 62. The reserves under section 61(4) may be withdrawn from the reserve account only for the purpose of compensating a loss.

Section 63. The public fund of an unlimited co-operative society under section 61(1) may be used only for public utilities in the locality, promotion of the activities of co-operative societies or education or training in respect of co-operative societies, provided it is approved by the general meeting and



by the Registrar of Co-operative Societies, Deputy Registrar of Co-operative Societies or the competent official entrusted by the Registrar of Co-operative Societies.

Section 64. The central fund of all unlimited co-operative societies under section 61 (2) shall be deposited by the Ministry of National Development in a bank under section 33 (1), or invested in accordance with the rules made by the Ministry of National Development. If it appears that any unlimited co-operative society is heavily in debt and, after having considered the cause of indebtedness and the condition of living of members, it is unjustified for members to contribute in whole or in part to the property of the unlimited co-operative society for payment of the debts, the Registrar of Co-operative Societies, subject to the prior approval of the Minister, has the power to draw money from such fund to pay its debts to the creditors as he thinks fit. Any interest accrued from the central fund shall also be transferred to the central fund.

The Central Co-operative Fund established under section 19 tri (2) of the Co-operative Societies Act, B.E. 2471 as amended by the Co-operative Societies Amendment Act, B.E. 2477 including the interest accrued therefrom shall be deemed the central fund under paragraph one.

Section 65. The money of an unlimited co-operative Society may be deposited or invested as prescribed in section 33.

Section 66. An unlimited co-operative society whose object is to sell agricultural produce grown by members shall purchase or collect the produce of its members before that of other persons.

Section 67. An unlimited co-operative society shall keep a register of members and the provisions of section 37 concerning the register of members and change in the particulars thereof shall apply *mutatis mutandis*.

Section 68. An unlimited co-operative society may be converted to a limited co-operative society by the following proceedings.

(1) amendment of its regulations to include the particulars prescribed in section 14;

(2) resolution of the general meeting prescribing its reserves to be those of the limited co-operative society.

After the proceedings under (1) and (2) have been taken, the unlimited co-operative society shall notify its creditors for objection and the provisions of sections 42 shall apply *mutatis mutandis*.

Section 69. Except as provided in this chapter, the provisions of Part I on Limited Co-operative Societies shall apply *mutatis mutandis* to the registration, operation and supervision of unlimited co-operative societies.

**CHAPTER 2**  
**Dissolution of Unlimited Co-operative Societies**

Section 70. An unlimited co-operative society may be dissolved by any of the grounds specified in section 50 or when the Registrar of Co-operative Societies orders the dissolution on account of the grounds specified in section 51.

Section 71. The provisions of section 50 paragraph two and section 52 concerning the dissolution and the appeal of a limited co-operative society shall apply *mutatis mutandis* to an unlimited co-operative society. As for the liquidation, it shall be in accordance with the provisions of Part V on Liquidation.

## Part III

# Co-operative Federations

Section 72. Three or more co-operative societies wishing to operate the business jointly so as to accomplish their common objects may establish a co-operative federation.

Section 73. A co-operative federation may be established only by the resolution to participate in the establishment of a co-operative federation of a general meeting of each co-operative society.

Section 74. The provisions of Part I on Limited Co-operative Societies shall apply mutatis mutandis to the establishment, registration, operation, general meetings, supervision, election and power and duty of the Board, and dissolution of a co-operative federation.

Section 75. In establishing a co-operative federation, the Board of each co-operative society shall appoint a representative to form a founding committee for the establishment of the co-operative federation.

Section 76. In applying for the registration of a co-operative federation, at least three members of the founding committee shall sign an application and file it with the Registrar of Co-operative Societies.

Section 77. A registered co-operative federation shall be a juristic person and a limited co-operative society under this Act.

Section 78. A general meeting of a co-operative federation shall compose of the representatives of the co-operative societies elected by the Board of each co-operative society in number prescribed in the regulations of the co-operative federation and the presence of not less than one-half of the total number of the representatives of the co-operative societies shall constitute a quorum.

At the general meeting of the co-operative federation, each co-operative society shall have one vote and shall appoint a representative to cast vote on its behalf.

Section 79. A general meeting of a co-operative federation shall elect its Board from the representatives of the co-operative societies which are its members in accordance with the number, rules and procedure prescribed in its regulations.

Section 80. For the purpose of carrying out its objects, a co-operative federation may do the acts prescribed in section 21 and may issue debentures in its interest.

The provisions of the Civil and Commercial Code on Debentures shall apply mutatis mutandis to the issue of debentures.

## Part IV

# Amalgamation of Co-operative Societies

Section 81. Two or more co-operative societies of the same kind under section 7 may be amalgamated by resolution of a general meeting of each co-operative society, provided such amalgamation must be approved by the Registrar of Co-operative Societies.

The resolution of the general meeting must be passed by:

- (1) votes of not less than two-thirds of members present at the meeting for the amalgamation of limited co-operative societies;
- (2) unanimous votes of members present at the meeting for the amalgamation of unlimited co-operative societies.

The application for approval of the Registrar of Co-operative Societies shall be accompanied with a copy of the minutes of the general meetings of the co-operative societies which passed the resolutions for the amalgamation.

Section 82. After the Registrar of Co-operative Societies has given approval under section 81, each co-operative society shall give to its creditors notices advising them of the proposed amalgamation and requesting those who have objections to the amalgamation to send their objections to it within sixty days from the date of giving notices.

If no creditor objects it within the prescribed period, it shall be deemed that there is no objection and the co-operative societies may proceed with the amalgamation.

If a creditor objects it, the co-operative societies may not proceed with the amalgamation until they have paid up the debt or given security for the payment thereof. Section 83. The Board of each co-operative society to be amalgamated shall appoint not more than three representatives to proceed with the registration under section 84.

Section 84. The co-operative societies established by amalgamation must be registered as a new co-operative society of the same kind as their original by filing an application for registration with the Registrar of Co-operative Societies in accordance with the forms prescribed by him.

The application for registration of the new co-operative society must be signed by at least two representatives of each co-operative society to be amalgamated.

The application for registration of the new co-operative society must be accompanied with the following documents:

(1) a letter of each co-operative society to be amalgamated confirming that notices have been given to its creditors under section 82 paragraph one, and no creditor objects it within the prescribed period or, in case a creditor objects it, the co-operative society has paid up the debt or given security for the payment thereof;

(2) two copies of a regulation of the new co-operative society;

(3) a copy of the minutes of the meeting of representatives of the co-operative societies to be amalgamated.

Documents under (2) and (3) shall be certified by two elected members of the first Board of the new co-operative society.

Section 85. After the registration of the amalgamation of the co-operative societies as a new co-operative society, the Registrar of Co-operative Societies shall delete their original names from the register.

Section 86. The new co-operative society shall acquire all the property, obligations, rights and liabilities of the original co-operative societies.

## Part V

# Liquidation

Section 87. The liquidation of a bankrupt co-operative society shall be made in accordance with the law on bankruptcy.

Section 88. As for the liquidation of a co-operative society dissolved on the grounds other than bankruptcy, the general meeting shall elect a liquidator with the approval of the Registrar of Co-operative Societies to perform the liquidation within thirty days from the date of its dissolution or from the date of the order of the Minister dismissing an appeal, as the case may be.

In the case where the general meeting does not elect a liquidator within the said period or the Registrar of Co-operative Societies does not approve the election of the liquidator, the Registrar of Co-operative Societies shall appoint a liquidator to perform the liquidation of the co-operative society.

When the Registrar of Co-operative Societies thinks fit or the members of the co-operative society not less than two-thirds of the total number of its members apply to him, he may appoint a new liquidator to replace the previously elected or appointed liquidator.

The Registrar of Co-operative Societies shall register the liquidator approved by him under paragraph one or the liquidator appointed under paragraph two or paragraph three, and shall put up a notice of the name of the liquidator at the office of the co-operative society, Government co-operative society office and Amphoe office of the locality where the co-operative society is situated within fourteen days from the date of registration of the liquidator.

A liquidator may receive remuneration as prescribed by the Registrar of Co-operative Societies.

Section 89. A co-operative society is deemed to continue after its dissolution as far as it is necessary for the purpose of liquidation.

Section 90. The liquidator shall have the duty to settle the affairs of the co-operative society, to pay its debts and to distribute its property.

Section 91. When a co-operative society is dissolved, the Board and the officials of the co-operative society shall have the duty to take care of all property of the co-operative society until the liquidator requests for the delivery thereof.

The liquidator may, at any time, request the Board or the officials of the co-operative society to deliver the property under paragraph one together with the account books, documents and other things.

Section 92. Within thirty days from the date the liquidator has been registered by the Registrar of Co-operative Societies, the liquidator shall advertise in a daily newspaper for at least two consecutive days and give to all creditors whose names appear in the account books or documents of the co-operative society or are known by any other way notices advising them that the co-operative society is dissolved and that they shall claim payment from him.

Section 93. The liquidator shall make a balance-sheet of the co-operative society without delay and the Registrar of co-operative Societies shall appoint an auditor to examine the balance-sheet. When the auditor has certified the balance-sheet, the liquidator shall submit it to the general meeting for approval and then refer it to the Registrar of Co-operative Societies.

Section 94. A liquidator has the power as follows:

(1) to carry on the activities of the co-operative society as far as may be necessary to take care of the interest of the co-operative society during the period which the liquidation is not yet complete;

(2) to carry on the activities of the co-operative society as far as may be necessary for a beneficial settlement of the affairs;

(3) to call a general meeting;

(4) to take all proceedings in a civil or criminal case and to make compromise in any matter in the name of the co-operative society;

(5) to dispose of the property of the co-operative society;

(6) to demand members or heirs of the deceased members to pay the value of their shares which still remain outstanding or to contribute to the property of the co-operative society in proportion to their liability for the debts of the co-operative society; provided, in the case of an unlimited co-operative society, the demand shall be made only when all or part thereof is not paid from the central fund under section 64;

(7) to apply to the court to have the co-operative society declared bankrupt in the case where the value of shares or capital have been paid up but the property is still insufficient to pay the debts;

(8) to do all other acts as may be necessary for a beneficial settlement of the liquidation.

Section 95. No limitation of the power of the liquidator shall be set up against third persons acting in good faith.

Section 96. All costs, charges and expenses properly incurred in the liquidation must be paid by the liquidator in preference to other debts.

Section 97. If a creditor does not demand the payment of debts, the liquidator must deposit with the Registrar of Co-operative Societies a sum of money equal to the debts for the benefit of the creditor and the liquidator shall notify him in writing of such deposit without delay.

If the creditor does not collect the money within the period of two years from the day on which the liquidator deposited the money with the Registrar of Co-operative Societies, the creditor shall no longer be entitled to it and the Registrar of Co-operative Societies shall, within a reasonable time, remit it to the reserves of the Co-operative League of Thailand.

Section 98. The liquidator shall submit every six months to the Registrar of Co-operative Societies a report of his activities, showing the situation of the accounts of the liquidation. Such report shall be made in the form prescribed by the Registrar of Co-operative Societies.

The reports under paragraph one shall be gratuitously available for inspection by members, heirs of deceased members and creditors of the co-operative society.

If it appears that there is an error in the liquidation, the Registrar of Co-operative Societies has the power to direct the liquidator to rectify it and report to him within the prescribed time.

Section 99. After the payment of debts of a limited co-operative society, if there is some property left, the liquidator shall distribute it in the following order:

- (1) as repayment to members not exceeding the value of paid-up shares;
- (2) as dividends on paid-up shares in accordance with the regulations but not exceeding eight per cent per annum;
- (3) as rebate to members in proportion to their transactions done with the limited co-operative society during the year in accordance with the regulations.

If there is some property still left, the liquidator shall transfer it to other co-operative societies or the Co-operative League of Thailand in accordance with the resolution of the general meeting or with the approval of the Registrar of Co-operative Societies in the case where the general meeting cannot be called within three months from the date of the completion of the liquidation.

Section 100. After the payment of debts of an unlimited co-operative society, if there is some property left, the liquidator shall as far as possible repay members the whole amount of their contributions or in proportion to their contributions to the working capital.



If there is some property still left, it shall be transferred to other co-operative societies or the Co-operative League of Thailand in accordance with the resolution of the general meeting or with the approval of the Registrar of Co-operative Societies in the case where the general meeting cannot be called within three months from the date of the completion of the liquidation.

Section 101. After the completion of the liquidation of a co-operative society, the liquidator shall make and submit to the auditor a report on the liquidation together with a summary of the liquidated accounts showing as to how the liquidation was made and the property of the co-operative society was managed together with expenses of the liquidation and the property distributed under section 99 or section 100. After the auditor has examined and certified the liquidated accounts, the liquidator shall refer them to the Registrar of Co-operative societies within thirty days from the date of certification thereof. When the Registrar of Co-operative Societies has given approval thereto, it shall be deemed that the liquidation is complete and he shall delete its name from the register.

Section 102. When the Registrar of Co-operative Societies has given approval to the liquidation under section 101, the liquidator shall deliver all account books and documents of the liquidated co-operative society to him within thirty days from the date of his approval. The Registrar of Co-operative Societies shall keep these account books and documents for another two years from the date of deletion of its name from the register.

The account books and documents under paragraph one shall be gratuitously available for inspection by interested persons.

Section 103. No claim for recovery of debts shall be brought against a co-operative society, member or liquidator as debtor after the lapse of two years from the day on which the Registrar of Co-operative Societies deleted the name of the co-operative society from the register.

## Part VI

# Co-operative League of Thailand

Section 104. There shall be an institution called the "Co-operative League of Thailand" consisting of members which are co-operative societies having the objects of promoting the activities of every type of co-operative societies throughout the Kingdom without sharing profit or income.

Section 105. The Co-operative League of Thailand shall be a juristic person.

The Co-operative League of Thailand shall have its head office in Changwat Phra Nakhon and may establish branches elsewhere.

Section 106. The co-operative League of Thailand has the power to do the acts within the scope of its objects specified in section 104 and such power shall include:

(1) promoting and propagating the activities of co-operative societies as well as conducting research and compiling statistics concerning such activities;

(2) giving technical advice and assistance to co-operative societies and providing facilities in respect of the communication and co-ordination between co-operative societies and Government agencies or other persons;

(3) providing technical study and training on the activities of co-operative societies;

(4) promoting relationship between co-operative societies, relationship with foreign co-operative leagues or organizations having similar objects;

(5) purchasing, procuring, disposing of, holding ownership, possessing or executing a juristic act in respect of any property;

(6) doing other act in compliance with its objects or as entrusted by the Government agencies.

Section 107. The Co-operative League of Thailand may have income from the property as follows:

(1) subscriptions to the Co-operative League of Thailand;

(2) Government subsidies;

(3) donations of money or property;

(4) proceeds from sale of technical publications, documents or others;

(5) money or property received as remuneration for services rendered;

(6) benefits derived from its property.

Section 108. There shall be an executive Board of the Co-operative League of Thailand consisting of not less than twelve representatives of co-operative societies elected by a general meeting of the Co-operative League of Thailand and not more than five persons appointed by the Minister as directors.

The Board shall elect a chairman and a vice-chairman or vice-chairmen from its directors.

The Board shall appoint a person whom it thinks fit Director of the Co-operative League of Thailand. The Director of the Co-operative League of Thailand shall be its ex-officio director.

Section 109. The Board shall have the duty to administer the activities of the Co-operative League of Thailand, and such power and duty shall include;

- (1) making regulations concerning matters under section 106;
- (2) making regulations on general meetings of the Co-operative League of Thailand and procedures on attendance of representatives of co-operative societies in the general meeting;
- (3) making regulations on election of executive directors of the Co-operative League of Thailand, meetings and administration of the Board.
- (4) making regulations on power and duty of the Director of the Co-operative League of Thailand;
- (5) making regulations on officials of the Co-operative League of Thailand.

The regulations made under (2) and (3) must be approved by a general meeting before they come into force.

Section 110. The executive directors of the Board of the Co-operative League of Thailand shall be in office for a term of two years

A director who vacates office may be re-elected,

Section 111. The Board shall provide a general meeting at least once a year within sixty days from the end of the accounting year of the Co-operative League of Thailand.

The Board may call an extraordinary general meeting whenever it thinks fit, or at the request of members not less than one-tenth of the total number of members.

Section 112. the Director shall administer the activities of the Co-operative League of Thailand in accordance with the regulations and shall have the power to control the officials thereof.

In matters concerning third persons, the Director shall have the power to act on behalf of the Co-operative League of Thailand.

Section 113. The provisions of part I on Limited Co-operative Societies and Part 5 on Liquidation shall apply mutatis mutandis to the Co-operative League of Thailand.

## Part VII

# Penalties

Section 114. Any person who violates section 10 shall be liable to imprisonment for not more than one month or to a fine of not more than one thousand Baht or to both.

Section 115. Any limited co-operative society which fails to comply with section 19 shall be liable to a fine of not more than one thousand Baht.

Section 116. Any person who does not appear for enquiry or does not send a document for consideration concerning the registration of a limited co-operative society, unlimited co-operative society or co-operative federation according to the order given under this act by the Registrar of Co-operative Societies, Deputy Registrar of Co-operative Societies or competent official entrusted by the Registrar of Co-operative Societies, as the case may be, shall be liable to a fine of not more than one thousand Baht.

Section 117. Any person who does not appear for enquiry or does not send a document concerning the operation or minutes of meetings of a limited co-operative society, unlimited co-operative society or co-operative federation according to the order given under this Act by the Registrar of Co-operative societies, Deputy Registrar of Co-operative Societies, inspector of co-operative societies, auditor or competent official entrusted by the Registrar of Co-operative Societies, as the case may be, shall be liable to a fine of not more than one thousand Baht.

Section 118. Any person who obstructs, does not provide facilities, does not provide assistance, or does not give information to the Registrar of Co-operative Societies, Deputy Registrar of Co-operative Societies, inspector of co-operative societies, auditor or competent official entrusted by the Registrar of Co-operative Societies, who enters for inspection the office of a limited co-operative society, unlimited co-operative society or co-operative federation, shall be liable to a fine of not more than one thousand Baht.

## Transitory Provisions

Section 119. As from the date of coming into force of this Act:

(1) The co-operative societies registered before than date of coming into force of this Act shall be co-operative societies under this Act;

(2) After the issue of the Ministerial Regulations prescribing the types of co-operative societies under section 8, the registrar of Co-operative Societies shall classify the co-operative societies under (1) into the types of co-operative societies prescribed in the Ministerial Regulations;

(3) The co-operative federations registered before the date of coming into force of this Act shall be co-operative federations under this Act;

(4) The executive directors of the Board of the co-operative societies or co-operative federations registered before the date of coming into force of this Act shall be directors of the Board of the co-operative societies or co-operative federations under this Act until the expiration of their term of office in accordance with the regulations of such co-operative societies or co-operative federations; provided this provisions shall not affect the termination of office for other reasons;

(5) As for members of a co-operative federation registered before the date of coming into force of this Act which are not co-operative societies or lack of qualifications prescribed in the regulations, they may continue to be members but they shall not be entitled to be elected members in the next election;

(6) Any co-operative society registered before the date of coming into force of this Act whose object is to receive deposits of money from person who are not members of the co-operative society may continue to hold deposits of money received from the said persons until the expiration of the term of the deposit agreement between them;

(7) The Co-operative League of Thailand Limited registered before the date of coming into force of this Act shall be the Co-operative League of Thailand under this Act;

(8) The executive Board of the Co-operative League of Thailand Limited registered before the date of coming into force of this Act shall be the executive Board of the Co-operative League of Thailand until the expiration of its term of office in accordance with the regulations of the Co-operative League of Thailand Limited; provided this provisions shall not affect the termination of office for other reasons.

Countersigned by

**Field Marshal Thanom Kittikachorn,**  
*Prime Minister*

## **National Executive Council Announcement No. 247**

The National executive Council has proclaimed the Announcement No. 247 to amend the Cooperative Societies Act for the purpose of paying the interest and increment obtains from the central fund of unlimited cooperative societies to the Cooperative League of Thailand. The interest and increment will be used for cooperative studying and training of its members, committee of management and officers, that will be very helpful to the cooperative affairs.

By that Announcement, the Section 64 of the Cooperative Societies Act B.E. 2511 is repealed and the following body shall come into force:

“Section 64. The central fund of unlimited cooperative societies under Section 61 (2) shall be deposited by the Ministry of Agriculture and Cooperatives with banks under Section 33 (1) or invested in accordance with the regulations prescribed by the Ministry of Agriculture and Cooperatives.

If it appears that any unlimited cooperative society is heavily in debt and when the cause of indebtedness and the conditions of the members is considered it is found unreasonable for the members to contribute all or part of the difference of the assets of the society to pay the debts, the Registrar of Cooperative Societies, subject to the prior approval of the Ministry, is empowered to with draw money from such fund to pay the debts of the unlimited society to the creditors as he may think proper.

On the day this Announcement is proclaimed the Ministry of Agriculture and Cooperatives is empowered to pay interest and increment of the central fund to the Cooperative League of Thailand for its operation under Section 106.”

This National Executive Council Announcement shall come into force on and from the day following the date of its publication in the Government Gazette.

**The International Cooperative Alliance** is one of the oldest non-governmental international organisations. It is a worldwide confederation of cooperative organisations of all types. Founded in London on 18th August 1895, the ICA has affiliates in 77 countries with 195 national and ten international level cooperative organisations as members serving over 648 million individual members at the primary level. The ICA is the only international organisation entirely and exclusively dedicated to the promotion of Cooperation in all parts of the world. The ICA holds Consultative Status of Category-I in the United Nations Economic and Social Council (UN/ECOSOC).

Besides the head office in Geneva, Switzerland, there are four regional offices viz. the Regional Office for Asia and the Pacific in New Delhi, India (established in 1960); the Regional Office for East, Central and Southern Africa at Moshi, Tanzania (established in 1979) and the Regional Office for Central America and the Caribbeans at San Jose, Costa Rica (established in 1989).

The ICA Regional Office for Asia and the Pacific (ICA ROAP) serves 54 national level organisations from 19 countries, representing nearly 440 million individual cooperators. These countries are : Afghanistan, Australia, Bangladesh, China, Fiji, India, Indonesia, Iran, Japan, Democratic Republic of Korea, Republic of Korea, Malaysia, Pakistan, Philippines, Singapore, Sri Lanka, Thailand, USSR and Vietnam.

Main activities of the ROAP include coordination of cooperative development efforts within the region and promotion of exchanges and experiences; project identification, formulation and evaluation; promotion of establishment and development of national cooperative apex organisations; and organisation of seminars and conferences on specific subjects including support for programmes aiming at the involvement of women and youth in cooperative activities.

Finances are derived from member subscriptions, own funds and assistance from donors for various activities carried out by the ICA.

